



**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
December 31, 2018**

**TOWN OF RIVERHEAD
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Introductory Section

**TOWN OF RIVERHEAD
PRINCIPAL OFFICIALS**

Elected Officials

<i>Laura Jens-Smith</i>	Supervisor
<i>James Wooten</i>	Councilman
<i>Jodi Giglio</i>	Councilwoman
<i>Timothy Hubbard</i>	Councilman
<i>Catherine Kent</i>	Councilwoman
<i>Laverne Tennenberg</i>	Chairwoman, Board of Assessors
<i>Paul Leszczynski</i>	Board of Assessors
<i>Mason E. Haas</i>	Board of Assessors
<i>George Woodson</i>	Highway Superintendent
<i>Laurie Zaneski</i>	Receiver of Taxes
<i>Diane M. Wilhelm</i>	Town Clerk
<i>Allen M. Smith</i>	Town Justice
<i>Lori M. Hulse</i>	Town Justice

Department Heads

<i>Robert Kozakiewicz</i>	Town Attorney
<i>William Rothaar</i>	Accounting Department
<i>Jefferson Murphree</i>	Building/Planning Department
<i>Dawn Thomas</i>	Community Development
<i>Drew Dillingham</i>	Engineering Department
<i>Chief David Hegermiller</i>	Police Department
<i>Ray Coyne</i>	Recreation Department
<i>Judy Doll</i>	Senior Services
<i>Michael Reichel</i>	Sewer District
<i>Mark Conklin</i>	Water Department

Financial Section

INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Town Board
Town of Riverhead
Riverhead, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York (the "Town"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Riverhead Industrial Development Agency and the Riverhead IDA Economic Job Development Corporation, which represents 100% of the assets/deferred outflow of resources, net position, and revenues of the aggregate discretely presented component units. These financial statements were audited by another auditor whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for these discretely presented component units, is based solely on the reports of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the Town has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of December 31, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information other than the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Riverhead, New York's basic financial statements. The introductory section and combining non-major governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major governmental funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major governmental funds financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2019, on our consideration of the Town of Riverhead, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Riverhead's, New York internal control over financial reporting and compliance.

Cullen & Danowski, LLP

December 4, 2019

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Riverhead's (Town) discussion and analysis of financial performance provides an overall review of the Town's financial activities for the fiscal year ended December 31, 2018 in comparison with the year ended December 31, 2017, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

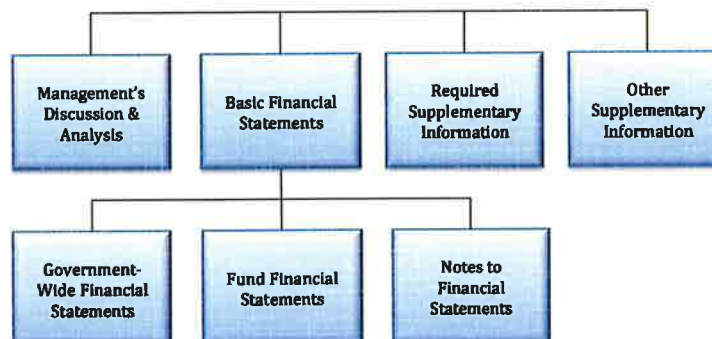
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- The assets and deferred outflows of the primary government exceeded its liabilities and deferred inflows of resources at the close of 2017 by \$88,020,980 (net position). The net position of governmental activities was \$31,901,031 and the net position of business-type activities was \$56,119,949.
- The Town's primary government total net position at December 31, 2017 was restated and decreased by \$59,391,849, as a result of the required implementation of a new GASB accounting standard during the 2018 fiscal year. Of this decrease, \$53,434,653 was recorded in the governmental activities net position and \$5,957,196 was recorded in business-type activities net position. This new GASB accounting standard has no impact on the governmental funds financial statements.
- The primary government's net position increased by \$4,704,251 over the prior year. The governmental net position increased by \$4,216,906 and the business-type net position increased by \$487,345.
- As of the close of 2018, the primary government's governmental funds reported combined ending fund balances of \$18,361,294, an increase of \$1,984,680 or 12.1% over the prior year. Of this amount, \$1,316,767 is not in spendable form or is required to remain intact. The remaining \$17,044,527 or approximately 92.8% of total fund balances is in spendable form with various levels of spending constraint: restricted, committed, assigned, or unassigned making them available for spending at the Town's discretion.
- At the end of 2018, the primary government's total fund balance for the General Fund was \$4,363,527, an increase of \$1,458,372 or 50.2% over the prior year. The aggregate restricted, assigned and unassigned fund balance of the General Fund was \$3,121,502, or 6.5% of the total General Fund expenditures and other financing uses.
- The primary government's total bonded debt outstanding (inclusive of general obligation bonds and bond anticipation notes, exclusive of premiums), was \$78,535,636, a decrease of \$7,227,723 or 8.4% from the prior year. The Town's governmental debt decreased by \$11,248,227 and the Town's business-type funds increased by \$4,020,504.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's governmental activities, in a manner similar to a private-sector business. The intent of the government-wide financial statements is to give the reader a long-term view of the Town's financial condition.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents financial information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. This combines and consolidates the Town's current financial resources with capital assets and long-term obligations. The purpose of this statement is to give the reader an understanding of the Town's total net worth. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's buildings, roads, drainage systems and other assets to assess the overall health of the Town.

The Statement of Activities

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. Revenues and expenses are reported by activity to give the reader an understanding of how each of the Town's activities is being supported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. This method is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the Town's fund financial statements.

The Town's government-wide financial statements includes both the governmental and business-type activities of the Town itself (known as the primary government) and of its legally separate nonmajor component units for which the Town is financially accountable. Financial information for these component units are reported separately (discretely presented nonmajor) from the financial information presented for the primary government. Each of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The business-type activities of the Town include sewer and water services.

B. Governmental Activities

The Town's basic services are reported here, including: general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation and home and community services. Property taxes, sales taxes, mortgage taxes, franchise fees, fines, and state, local and federal grants finance these activities. The Town also charges fees to customers to help it cover the cost of certain services it provides.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

C. Component Units

Discretely presented component units are legally separate organizations, that are not an operating department of the Town, for which the Town is either financially accountable, or the nature and significance of their relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. These entities are reported in a separate column in the government-wide statements. The Town includes the Riverhead Industrial Development Agency and the Riverhead IDA Economic Job Development Corporation in its report as nonmajor discretely presented component units.

The Town also includes one blended component unit, the Town of Riverhead Community Development Agency that is, in substance, a part of the Town's operations.

Information on separately issued financial statements is shown in Note 1.A. to the financial statements.

D. Fund Financial Statements

The fund financial statements provide more detailed information about the Town's funds, not the Town as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the Town are reported in the governmental, proprietary and fiduciary funds.

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the Town incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Town's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the Town's near term financial decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains fourteen (14) governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the five (5) major funds. The General Fund, Highway Fund, Debt Service Fund, Capital Projects Fund and Community Preservation Fund are reported as major funds. Data from the nine (9) other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the "Other Supplementary Information" section in this report.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The Town adopts an annual appropriation budget for its General Fund, Highway Fund, Debt Service Fund and Community Preservation Fund. Budgetary comparison schedules have been provided for the major funds to demonstrate compliance with their adopted budgets and can be found in the section labeled "Required Supplementary Information Other Than Management's Discussion and Analysis."

The governmental funds financial statements can be found in the "Basic Financial Statements."

Proprietary Funds

The Town maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Sewer and Water District Funds. Internal Service funds are used to accumulate and allocate costs internally among the Town's various functions. The Town uses its Internal Service Funds to account for general liability and workers' compensation risk management programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements, but are included in a single column in the proprietary funds statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Sewer District and Water District Funds since both are considered to be major funds of the Town. The proprietary funds financial statements can be found in the "Basic Financial Statements" section of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The fiduciary fund financial statement can be found in the "Basic Financial Statements" section of this report.

E. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements.

F. Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Town's budget to actual comparisons for the major governmental funds, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information immediately follows the notes to the financial statements.

The combining nonmajor governmental funds financial statements are presented immediately following the required supplementary information.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

3. FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

A. Net Position

The Town's total governmental activities net position increased \$4,216,906 and the business-type activities net position increased by \$487,345 between fiscal years 2018 and 2017. The December 31, 2017 total governmental activities net position has been decreased by \$53,434,653 and business-type activities net position decreased by \$5,957,196, resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, December 31, 2017 balances reflect total long term liabilities in accordance with the new GASB Statement. A summary of the Town's Statements of Net Position follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	As Restated 2017	2018	As Restated 2017	2018	As Restated 2017
Assets						
Current & Other Assets	\$ 37,814,208	\$ 29,330,604	\$16,761,606	\$11,819,477	\$ 54,575,814	\$ 41,150,081
Capital Assets	199,895,168	199,923,759	78,479,399	78,258,478	278,374,567	278,182,237
Total Assets	237,709,376	229,254,363	95,241,005	90,077,955	332,950,381	319,332,318
Deferred Outflows of Resources	14,640,347	11,341,316	1,086,512	783,859	15,726,859	12,125,175
Liabilities						
Current Liabilities	15,676,334	13,670,448	2,917,958	4,097,017	18,594,292	17,767,465
Long-Term Liabilities	181,632,328	190,728,183	35,134,173	30,389,895	216,766,501	221,118,078
Total Liabilities	197,308,662	204,398,631	38,052,131	34,486,912	235,360,793	238,885,543
Deferred Inflows of Resources	23,140,030	8,512,923	2,155,437	742,298	25,295,467	9,255,221
Net Position						
Net Investment in Capital Assets	169,075,207	122,981,164	55,467,563	59,267,123	224,542,770	182,248,287
Restricted	9,063,299	9,596,388	952,142	2,036,317	10,015,441	11,632,705
Unrestricted (Deficit)	(146,237,475)	(104,893,427)	(299,756)	(5,670,836)	(146,537,231)	(110,564,263)
Total Net Position	\$ 31,901,031	\$ 27,684,125	\$56,119,949	\$55,632,604	\$ 88,020,980	\$ 83,316,729

Governmental Activities

Current and other assets increased by \$8,483,604, as compared to the prior year and primarily reflects increases in cash and due from other governments.

Capital assets, net decreased by \$28,591, as compared to the prior year. This decrease is due to depreciation expense in excess of capital additions. The accompanying Notes to Financial Statements, Note 7 "Capital Assets", provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates and actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Current and other liabilities increased \$2,005,886 and is primarily due to an increase in accounts payable, bonds payable due within one year, and claims and judgements due within one year.

Long-term liabilities decreased by \$9,095,855, as compared to the prior year. This decrease is primarily the result of decreases in the long-term portion of serial bonds outstanding and net pension liability – proportionate share in excess of an increase in the total other postemployment benefits obligation.

Deferred inflows of resources represents actuarial adjustments at the pension plan that will be amortized in future years, as well as amounts related to the service concession agreements.

Business-Type Activities

Current and other assets increased by \$4,942,129, as compared to the prior year and primarily reflects an increase in unrestricted cash and amounts due from State and Federal governments, net of a decrease in accounts receivable.

Capital assets, net increased by \$220,921, as compared to the prior year. This increase is due to capital additions in excess of depreciation expense. The accompanying Financial Statements, Note 7 "Capital Assets", provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates and actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

Current and other liabilities decreased \$1,179,059, primarily due to decreases in accounts payable and retainage payable, net of an increase in accrued liabilities and bonds payable due within one year.

Long-term liabilities increased by \$4,744,278, as compared to the prior year. This increase is primarily the result of increases in the long-term portion of serial bonds outstanding and net other postemployment benefits obligation net of a decrease in the net pension liability – proportionate share.

Deferred inflows of resources represents actuarial adjustments at the pension plan that will be amortized in future years, as well as amounts related to the service concession agreements

Total Primary Government

The largest portion of the Town's total net position (\$224,542,770) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, intangibles, and infrastructure) net of accumulated depreciation and less any outstanding debt of other borrowings used to accumulate those assets. The Town uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

The deficit in unrestricted net position does not necessarily indicate fiscal stress. The deficit balance of unrestricted net position is primarily the result of long-term liabilities, which include compensated absences, claims and judgments, landfill closure and postclosure care costs, the proportionate share of the net pension liability, and postemployment benefit healthcare costs (OPEB) and will be funded through future budgetary appropriations when they become payable in future periods.

The total net position of the Town as of December 31, 2018 was \$88,020,980, an increase of \$4,704,251 over the prior year. Of this amount, \$224,542,770 was the net investment in capital assets, while \$10,015,441 was restricted by statute or other specific purpose, leaving a \$146,537,231 unrestricted deficit.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The unfunded liability for total other postemployment benefits obligation of \$128,724,451 increased \$7,503,491 from the restated liability at December 31, 2017. The balance is adjusted by annual actuarial valuations subject to changes in actuarial assumptions.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. A summary of this statement for the years ended December 31, 2018 and 2017 is as follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$ 4,264,323	\$ 4,387,942	\$ 9,258,293	\$ 8,804,407	\$ 13,522,616	\$ 13,192,349
Operating Grants	815,053	774,236			815,053	774,236
Capital Grants and Contributions	774,812	549,535	2,315,676	2,316,365	3,090,488	2,865,900
General Revenues						
Property Taxes	50,416,599	49,194,841	1,745,400	1,698,300	52,161,999	50,893,141
Other Tax Items	712,353	494,323		165,868	712,353	660,191
Nonproperty Taxes	7,593,789	6,510,314	846,243	1,949,453	8,440,032	8,459,767
Use of Money and Property	407,999	173,536	24,128	3,777	432,127	177,313
Sale of Property and						
Compensation for Loss	24,309	80,632			24,309	80,632
Miscellaneous	201,929	88,204	733,572	527,204	935,501	615,408
State Sources	1,936,370	987,295			1,936,370	987,295
Total Revenues	<u>67,147,536</u>	<u>63,240,858</u>	<u>14,923,312</u>	<u>15,465,374</u>	<u>82,070,848</u>	<u>78,706,232</u>
Expenses						
General Support	14,411,234	14,190,399			14,411,234	14,190,399
Public Safety	29,366,357	29,996,364			29,366,357	29,996,364
Health	1,259,998	1,309,031			1,259,998	1,309,031
Transportation & Maintenance	7,619,803	7,764,674			7,619,803	7,764,674
Economic Assistance and						
Opportunity	1,915,751	1,969,740			1,915,751	1,969,740
Culture & Recreation	2,776,754	3,022,833			2,776,754	3,022,833
Home & Community Services	4,796,462	5,090,800	13,120,512	11,909,899	17,916,974	17,000,699
Debt Service	2,099,726	2,451,260			2,099,726	2,451,260
Total Expenses	<u>64,246,085</u>	<u>65,795,101</u>	<u>13,120,512</u>	<u>11,909,899</u>	<u>77,366,597</u>	<u>77,705,000</u>
Change in Net Position Before						
Transfers	2,901,451	(2,554,243)	1,802,800	3,555,475	4,704,251	1,001,232
Operating Transfers	<u>1,315,455</u>	<u>1,263,200</u>	<u>(1,315,455)</u>	<u>(1,263,200)</u>	<u>-</u>	<u>-</u>
Changes in Net Position	<u>\$ 4,216,906</u>	<u>\$(1,291,043)</u>	<u>\$ 487,345</u>	<u>\$ 2,292,275</u>	<u>\$ 4,704,251</u>	<u>\$ 1,001,232</u>

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Governmental Activities

The Town's governmental activities net position increased by \$4,216,906 and decreased \$1,291,043 for the years ended December 31, 2018 and 2017, respectively.

The 2018 governmental activities revenues increased by \$3,906,678 or 6.18% compared to fiscal 2017. This increase is primarily due to an increase in property taxes, non-property taxes and revenue from state sources. The increase in property taxes was in accordance with the Board approved 2018 budget and was needed to fund the increase in appropriations.

The governmental activities expenses for the year decreased by \$1,549,016 or 2.35% compared to fiscal 2017, with the largest decreases in public safety, culture and recreation, home and community services, and debt service.

Business-Type Activities

The business-type activities net position increased by \$487,345 and \$2,292,275 for the years ended December 31, 2018 and 2017, respectively.

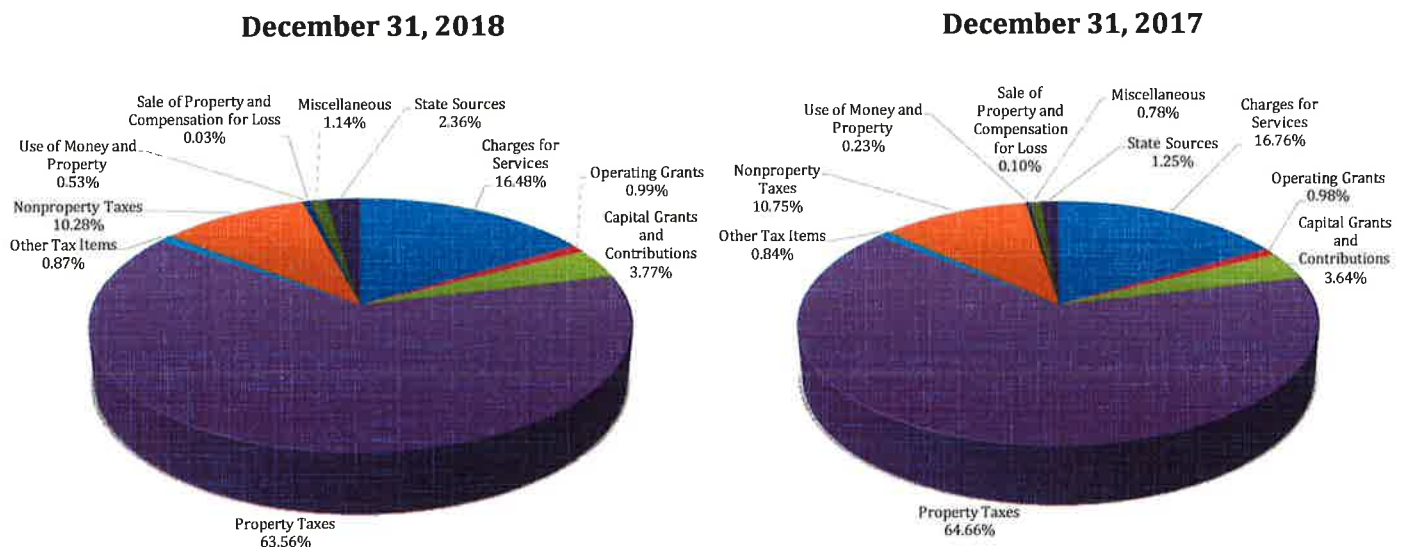
The 2018 business-type activities revenues decreased by \$542,062 or 3.51% compared to fiscal year 2017. This decrease was primarily due to a decrease in non-property taxes, net of an increase in charges for services.

The 2018 business-type activities expenses increased by \$1,210,613 or 10.16% compared to fiscal year 2017.

As indicated on the pie charts that follow, property taxes are the largest components of revenues recognized (i.e., 63.56% and 64.66% of the total for the years 2018 and 2017, respectively). Public safety is the largest categories of expenses incurred (i.e., 37.96% and 38.60% of the total for the years 2018 and 2017, respectively).

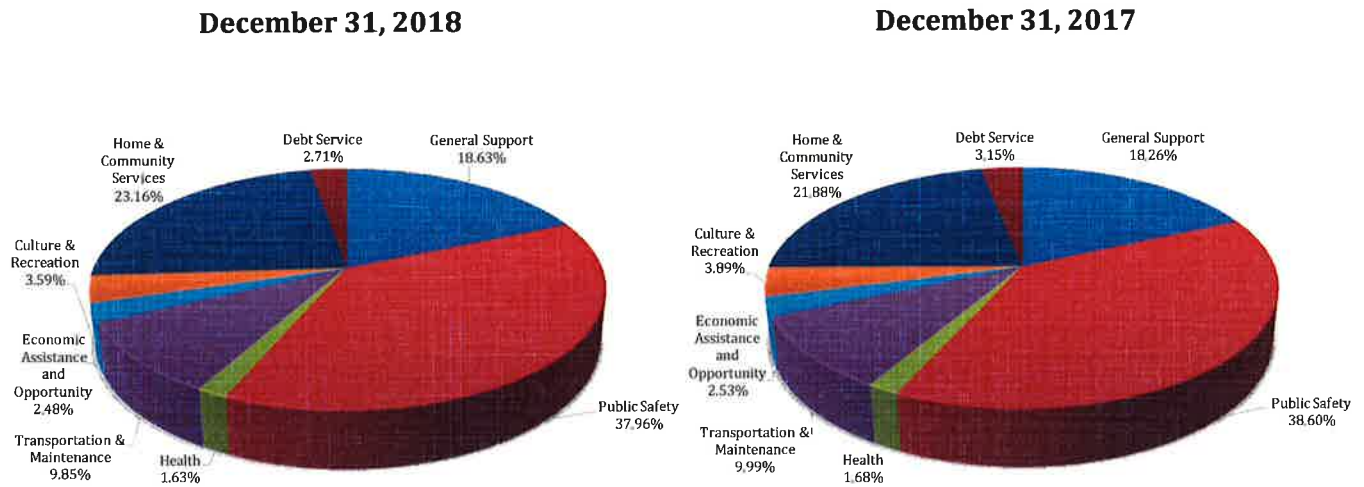
Total Primary Government

A graphic display of the distribution of revenues for the two years follows:



TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A graphic display of the distribution of expenses for the two years follows:



4. FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to maintain control over resources and to ensure and demonstrate compliance with finance-related legal requirements. The Town's governmental funds utilize the current financial resources measurement focus and the modified accrual basis of accounting.

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, spendable fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

There are no restrictions that are expected to have a significant effect on the availability of fund resources for future use.

At December 31, 2018 the Town's governmental funds reported a combined fund balance of \$18,361,294, which is an increase of \$1,984,680 or 12.1% over the prior year. The category breakdown is as follows:

- Nonspendable fund balance - \$1,316,767 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- Restricted fund balance - \$9,063,299 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- Committed fund balance - \$40,336 consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.
- Assigned fund balance - \$5,682,792 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- Unassigned fund balance - \$2,258,100 (residual net resources) is the total fund balance in the General Fund of \$3,009,040 in excess of nonspendable, restricted, committed and assigned fund balance and the negative unassigned deficits in the Community Preservation and the Special Trust Funds in the amount of \$2,000 and \$748,940, respectively.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Major Governmental Funds

A. General Fund

The General Fund is the chief operating fund of the Town. At the end of the current year, the total fund balance of the General Fund was \$4,363,527, increasing \$1,458,372, or 50.2%, over the prior year. Of this amount, \$1,242,025 is not in spendable form (prepaid items and inventory). The remaining \$3,121,502 of the fund balance is in spendable form as follows; \$112,462 has been assigned for miscellaneous designations and purchase orders, and the remaining \$3,009,040 represents spendable, unassigned fund balance.

The major components of the fund balance increase were as follows:

- Overall revenues and other financing sources exceeded budgeted expectations by \$327,827. Lower than expected collections of State and Local Aid in the amount of \$210,895 and interfund revenues related to fuel and garage services in the amount of \$393,834 being eliminated were offset by non-property tax items received exceeding budgeted expectations by \$194,438. Additionally, departmental income exceeded budgeted expectations by \$425,167. Federal grants earned exceeded expectations by \$268,632.
- Actual revenues and other financing sources increased by \$1,468,623 compared to the prior year, primarily due to the increase in real property taxes assessed (\$995,106), real property tax items (\$218,060), departmental income collected (\$150,658), as well as increases in use of money and property (\$120,147). Other financing sources increased due to an increase of \$87,946 in operating transfers in.
- Overall expenditures and other financing uses were under budget by \$1,130,545, as a result of lower than expected costs for fuel contractual expenditures due to the elimination of fuel and garage costs (\$477,856) and lower employee benefit expenditures related to workers' compensation claims and medical premiums (\$637,106).
- Actual expenditures and other financing uses increased by \$481,131 compared to the prior year, primarily a result of an increase in employee benefit costs related to medical premiums (\$363,500), an increase in public safety payroll costs (\$262,100) and an increase in legal fees (\$246,400), which was offset by a decrease in claim payments made to the general liability fund (\$475,033) and a decrease in claim payments made to the workers' compensation fund (\$298,100).

B. Highway Fund

The highway fund is a special revenue fund and includes the operations relating to the maintenance and repair of the Town's roads. At the end of the current year, the total fund balance of the Highway Fund was \$3,112,718, increasing \$431,513, or 16.1% over the prior year. Of this amount, \$67,712 is not in spendable form (prepaid items). The remaining \$3,045,006 of the fund balance is assigned for general highway purposes.

The major components of the fund balance increase of \$431,513 were as follows:

- Actual revenues exceeded budgeted expectations by \$65,612 due to unanticipated revenues for uses of money and property, along with miscellaneous revenues.
- Overall actual revenues were more than the prior year by \$57,454, which is primarily a result of increases in use of money and property along with miscellaneous revenues, which were offset by a decrease in licenses and permits.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

- Overall expenditures and other financing uses were under budget by \$565,901. Transportation expenditures for fuel costs, purchases and repair of equipment as well as various road improvement costs and snow removal costs were lower than budgeted expenditures by \$160,579 and employee benefit costs were lower than budgeted expenditures by \$356,728.
- Overall actual expenditures and other financing uses decreased by \$1,037,823 compared to the prior year due lower employee benefit costs (\$156,187) primarily due to a decrease in Workers' Compensation claim payments (\$212,720), as well as a decrease in other financing uses of \$951,115, due to decreased transfers to the Town's Capital Projects fund to fund new projects (\$938,345), along with a reduction in the amount of debt service payments transferred out. This was offset by an increase in transportation expenses (\$130,069), a result of higher personal services expenses and higher costs related purchases of equipment and repair work, fuel costs and snow removal costs.

C. Capital Projects Fund

The fund balance increased in the Capital Projects Fund by \$65,071 over the prior year, as a result of timing differences between project expenditures and the recognition of corresponding financing. At the end of the current year, the Capital Projects Fund had a total fund balance of \$457,470.

D. Community Preservation Fund

The community preservation fund is a special revenue fund and is used to account for the land transfer tax levied on all property sales and transfers for the purchase of development rights and open space.

At the end of the current year, the Community Preservation Fund has a total fund balance of \$9,061,299, decreasing \$411,065 from the prior year. This fund balance is restricted for Community Preservation purposes.

The major components of the fund balance decrease were as follows:

- There was an originally planned decrease of \$1,971,900 resulting from the appropriation of fund balance for the 2018 budget.
- Total land transfer tax revenues exceeded the budget by \$1,512,951 and actual revenues were greater than the prior year by \$1,136,072, while operating transfers in decreased \$325,044.
- Overall actual expenditures and operating transfers out were consistent with the prior year and budgeted expectations.

Nonmajor governmental funds

The net change in fund balances was an increase of \$440,159 over the nine nonmajor funds. The most notable changes are as follows:

- The Refuse & Garbage District has an increase in fund balance of \$98,479 mainly due to lower than anticipated spending of home and community services expenditures (\$31,433) and employee benefits (\$39,103).
- The Special Trust Fund had an increase of \$55,114 in fund balance due to a reduction in amounts due to other funds (\$100,000) net of transfers out to fund projects.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Proprietary Funds

The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position (deficit) of the Water and Sewer Funds amounted to \$(304,067) and \$4,311 respectively at December 31, 2018. The total net position change was an increase of \$487,345 over the prior year; an increase of \$1,276,278 in the Water District Funds and a decrease of \$788,933 in the Sewer District Funds.

- In the Water District Funds, operating expenses related to administration expenses decreased from the prior year by \$147,211. Operating expenses related to plant, transmission and distribution increased from the prior year by \$472,683. Revenues from developer fees increased from the prior year by \$711,496.
- In the Sewer District Funds, sewage treatment disposal expenses decreased \$554,508 as a result of the Riverhead Sewer District plant running a full year in operation. Also, depreciation expenses increased by \$1,679,422 as a result of the plant's completion at the end of 2017. Revenues from sewer charges increased by \$474,450 from the previous year. Non-operating revenues decreased \$1,525,000 over the prior year primarily as a result of decreases in recorded amounts due from the county for Non-property tax distributions and decreases in developer fees.
- The Self Insurance Fund had a decrease in fund balance of \$822,374. This decrease is primarily due to a decrease of \$1,340,743 in interfund transfers from the previous year, net of a decrease in expenditures of \$651,405.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018 Budget

The Town's general fund adopted budget for the year ended December 31, 2018 was \$49,062,800. This amount was increased by budget revisions in the amount of \$8,000 for a total final budget of \$49,070,800.

The adopted budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding was \$37,322,300 in estimated real property taxes.

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At December 31, 2018, the Town had invested in a broad range of capital assets, as indicated in the following table. Major capital asset events during the current year included the following:

- Resurfacing of various Town roads for \$1,200,814
- Various vehicle purchases for the Highway Department for \$248,000
- Various Town vehicle purchases of \$345,194
- The Water District invested \$588,081 for various projects

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A summary of the Town's capital assets, net of depreciation at December 31, 2018 and 2017, is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital assets not being depreciated						
Land	\$ 107,303,389	\$ 107,303,389	\$ 1,829,300	\$ 1,829,300	\$ 109,132,689	\$ 109,132,689
Intangible development rights and easements	52,966,917	52,966,917	2,378,757	2,378,757	55,345,674	55,345,674
Construction in progress	793,937	877,664	10,001,317	6,877,749	10,795,254	7,755,413
Capital assets being depreciated						
Buildings	7,532,536	7,159,856	16,652,417	17,320,105	24,184,953	24,479,961
Improvements	8,211,683	8,389,034	22,732,692	24,307,633	30,944,375	32,696,667
Infrastructure	19,352,108	19,959,736	979,418	928,393	20,331,526	20,888,129
Machinery & equipment	3,574,689	3,122,924	23,905,498	24,616,541	27,480,187	27,739,465
Intangibles software	159,909	144,239			159,909	144,239
	<u>\$ 199,895,168</u>	<u>\$ 199,923,759</u>	<u>\$ 78,479,399</u>	<u>\$ 78,258,478</u>	<u>\$ 278,374,567</u>	<u>\$ 278,182,237</u>

B. Debt Administration

Historically, the Town has issued serial bonds and other forms of debt to fund various capital projects and equipment acquisitions. A summary of the Town's long-term debt indebtedness at December 31, 2018 and 2017 is as follows:

Issue Date	Maturity Date	Governmental Activities		Business-Type Activities		Total	
		2018	2017	2018	2017	2018	2017
2005	3.75 - 4.00%	\$	\$ 4,621,500	\$	\$ 28,500	\$	\$ 4,650,000
2006	3.75 - 4.00%		13,700,000				13,700,000
2008	3.25 - 4.00%	181,000	21,950,000			181,000	21,950,000
2008	3.00 - 5.00%		283,000	474,000	717,000	474,000	1,000,000
2011	1.01 - 3.30%				255,000		255,000
2011	2.50 - 3.75%	10,265,000	11,315,000			10,265,000	11,315,000
2011	0.79 - 4.67%			805,000	865,000	805,000	865,000
2011	2.50 - 5.00%			3,810,000	4,085,000	3,810,000	4,085,000
2012	2.00 - 5.00%	11,821,413	14,902,502	683,225	852,497	12,504,638	15,754,999
2016	0.61 - 3.07%			11,600,000	12,188,360	11,600,000	12,188,360
2018	4.00 - 5.00%	33,256,362		18,638		33,275,000	
2018	4.00%			5,621,000		5,621,000	
		<u>\$ 55,523,775</u>	<u>\$ 66,772,002</u>	<u>\$ 23,011,863</u>	<u>\$ 18,991,357</u>	<u>\$ 78,535,638</u>	<u>\$ 85,763,359</u>

The Town's latest underlying, long term credit rating affirmed by Moody's Investors Service, Inc. as of June 7, 2018 is Aa3.

State statutes limit the amount of general obligations a governmental entity may issue to 7.00% of a 5-year average full valuation. The current debt limitation for the Town is \$407,829,587 of which the Town has exhausted 20.05% of the maximum debt allowed by state statutes. The Town's outstanding general obligation debt is significantly less than the Town's current debt limitation.

C. Other Long-Term Liabilities

Included in the Town's long-term liabilities are estimated amounts due for compensated absences, claims and judgments, landfill closure and postclosure care costs, net pension liability-proportionate share

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

obligation, and net other postemployment benefits. The compensated absences liability is based on employment contracts and Town policy. The claims and judgments liability is based on consultation with legal counsel, contracted third party administrators, and assessing past experience with similar claims. The liability for landfill closure and postclosure care costs is based on past experience. The net pension liability-proportionate share obligations and net other postemployment benefits are based on actuarial valuations.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Compensated absences	\$ 9,135,741	\$ 9,021,107	\$ 879,973	\$ 870,356	\$ 10,015,714	\$ 9,891,463
Claims and judgments	1,653,974	1,732,991			1,653,974	1,732,991
Landfill closure and postclosure care costs	1,556,141	1,628,162			1,556,141	1,628,162
Net pension liability - proportionate share	4,324,796	10,554,271	229,707	722,603	4,554,503	11,276,874
Net OPEB obligation	116,366,904	109,735,264	12,357,547	11,653,303	128,724,451	121,388,567
	<u>\$ 133,037,556</u>	<u>\$ 132,671,795</u>	<u>\$ 13,467,227</u>	<u>\$ 13,246,262</u>	<u>\$ 146,504,783</u>	<u>\$ 145,918,057</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

On November 20, 2018, the \$97,690,700 preliminary budget for the year ending December 31, 2019 for the Town became final. This was an increase of \$2,089,800 or 2.18% over the previous year's budget. The 2019 budget contains increases in spending for the General Fund of \$2,185,350, Water District of \$515,600, Riverhead Scavenger Waste District of \$176,800, and a decrease in the Riverhead Sewer District of \$542,700. Several other funds had minor increases or decreases.

B. Future Budgets

Future budgets will continue to be affected by the economy and rising costs of operations including pressures on costs of employee benefits and further capital improvements.

C. Tax Cap

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012, no government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however, local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There are permitted exceptions and adjustments. The Town did not exceed the 2% cap, inclusive of allowable exclusions, in 2018.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

8. CONTACTING THE TOWN

This financial report is designed to provide the Town's citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Treasurer at the following:

Mr. William Rothaar
Town Financial Administrator
Town of Riverhead
1295 Pulaski Street
Riverhead, NY 11901
(631) 727-3200

TOWN OF RIVERHEAD
Statement of Net Position
December 31, 2018

	Primary Government			Nonmajor Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash				
Unrestricted	\$ 23,699,088	\$ 9,887,182	\$ 33,586,270	\$ 271,889
Restricted	8,590,332	2,010,226	10,600,558	
Receivables				
Accounts receivable	1,406,892	69,005	1,475,897	2,000
Water rents receivable		986,404	986,404	
Due from state and federal		3,658,533	3,658,533	
Due from other governments	2,793,583		2,793,583	5,000
Internal balances	7,546	(7,546)	-	
Prepaid items	1,245,844	102,226	1,348,070	18,803
Inventories	70,923	55,576	126,499	
Other assets				1,400
Capital assets not being depreciated	161,064,243	11,830,617	172,894,860	
Capital assets being depreciated, net	<u>38,830,925</u>	<u>66,648,782</u>	<u>105,479,707</u>	<u>141</u>
Total Assets	<u>237,709,376</u>	<u>95,241,005</u>	<u>332,950,381</u>	<u>299,233</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	13,435,567	952,199	14,387,766	50,384
Other postemployment benefits	<u>1,204,780</u>	<u>134,313</u>	<u>1,339,093</u>	
Total Deferred Outflows of Resources	<u>14,640,347</u>	<u>1,086,512</u>	<u>15,726,859</u>	<u>50,384</u>
LIABILITIES				
Payables				
Accounts payable	1,993,615	788,079	2,781,694	26,501
Accrued liabilities	1,879,811	294,921	2,174,732	
Due to other governments	71,112		71,112	
Unearned credits				
Collections in advance	311,845	73,033	384,878	
Long-term liabilities				
Due and payable within one year				
Bonds payable, net	9,498,480	1,673,839	11,172,319	
Claims and judgments payable	953,108		953,108	
Compensated absences payable	914,448	88,086	1,002,534	
Estimated liability for landfill closure and postclosure care	53,915		53,915	
Due and payable after one year				
Bonds payable, net	50,516,243	21,755,032	72,271,275	
Claims and judgments payable	700,866		700,866	
Compensated absences payable	8,221,293	791,887	9,013,180	21,744
Estimated liability for landfill closure and postclosure care	1,502,226		1,502,226	
Net pension liability - proportionate share	4,324,796	229,707	4,554,503	15,104
Total other postemployment benefits obligation	<u>116,366,904</u>	<u>12,357,547</u>	<u>128,724,451</u>	
Total Liabilities	<u>197,308,662</u>	<u>38,052,131</u>	<u>235,360,793</u>	<u>63,349</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	12,971,287	1,400,197	14,371,484	
Pensions	<u>10,168,743</u>	<u>755,240</u>	<u>10,923,983</u>	<u>51,611</u>
Total Deferred Inflows of Resources	<u>23,140,030</u>	<u>2,155,437</u>	<u>25,295,467</u>	<u>51,611</u>
NET POSITION				
Net investment in capital assets	169,075,207	55,467,563	224,542,770	
Restricted	9,063,299	952,142	10,015,441	
Unrestricted (Deficit)	<u>(146,237,475)</u>	<u>(299,756)</u>	<u>(146,537,231)</u>	<u>234,657</u>
Total Net Position	<u>\$ 31,901,031</u>	<u>\$ 56,119,949</u>	<u>\$ 88,020,980</u>	<u>\$ 234,657</u>

TOWN OF RIVERHEAD
Statement of Activities
For The Year Ended December 31, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Nonmajor Component Units
					Governmental Activities	Business-type Activities	Total
PROGRAMS/FUNCTIONS							
PRIMARY GOVERNMENT							
Governmental Activities							
General support	\$ 14,411,234	\$ 545,525	\$	\$ 90,648	\$ (13,775,061)	\$	\$ (13,775,061)
Public safety	29,366,357	2,157,151	284,746		(26,924,460)		(26,924,460)
Health	1,259,998	184,964			(1,075,034)		(1,075,034)
Transportation and street maintenance	7,619,803	31,533		568,554	(7,019,716)		(7,019,716)
Economic assistance and opportunity	1,915,751		291,215		(1,624,536)		(1,624,536)
Culture and recreation	2,776,754	1,059,391		115,610	(1,601,753)		(1,601,753)
Home and community services	4,796,462	285,759	239,092		(4,271,611)		(4,271,611)
Debt service - interest	<u>2,099,726</u>				<u>(2,099,726)</u>		<u>(2,099,726)</u>
Total Programs and Functions	<u>64,246,085</u>	<u>4,264,323</u>	<u>815,053</u>	<u>774,812</u>	<u>(58,391,897)</u>	<u>-</u>	<u>(58,391,897)</u>
Business-type Activities							
Water	6,443,753	4,380,770		1,859,728		(203,255)	(203,255)
Sewer	<u>6,676,759</u>	<u>4,877,523</u>		<u>455,948</u>		<u>(1,343,288)</u>	<u>(1,343,288)</u>
Total Business-type Activities	<u>13,120,512</u>	<u>9,258,293</u>		<u>2,315,676</u>	<u>-</u>	<u>(1,546,543)</u>	<u>(1,546,543)</u>
Total Primary Government	<u>\$ 77,366,597</u>	<u>\$ 13,522,616</u>	<u>\$ 815,053</u>	<u>\$ 3,090,488</u>			
NONMAJOR COMPONENT UNITS							
Economic assistance and opportunity	<u>\$ 244,549</u>	<u>\$ 240,407</u>					<u>\$ (4,142)</u>
GENERAL REVENUES							
Real property taxes					50,416,599	1,745,400	52,161,999
Other tax items					712,353		712,353
Nonproperty taxes					7,593,789	846,243	8,440,032
Use of money and property					407,999	24,128	432,127
Sale of property and compensation for loss					24,309		24,309
Miscellaneous					201,929	733,572	935,501
State sources					<u>1,936,370</u>		<u>1,936,370</u>
Total General Revenues					<u>61,293,348</u>	<u>3,349,343</u>	<u>64,642,691</u>
Change in Net Position Before Other Items					2,901,451	1,802,800	4,704,251
OTHER ITEMS							
Operating transfers					<u>1,315,455</u>	<u>(1,315,455)</u>	<u>-</u>
Change in Net Position					4,216,906	487,345	4,704,251
Total Net Position - Beginning of year, as restated					<u>27,684,125</u>	<u>55,632,604</u>	<u>83,316,729</u>
Total Net Position - End of year					<u>\$ 31,901,031</u>	<u>\$ 56,119,949</u>	<u>\$ 88,020,980</u>
							<u>\$ 234,657</u>

TOWN OF RIVERHEAD
Balance Sheet - Governmental Funds
December 31, 2018

	Major Funds				Nonmajor	Total	
	General	Highway	Debt Service	Capital Projects	Community Preservation	Governmental Funds	Governmental Funds
ASSETS							
Cash							
Unrestricted	\$ 11,566,130	\$ 5,290,204	\$	\$ 610,702	\$	\$ 3,928,998	\$ 21,396,034
Restricted					8,440,332		8,440,332
Receivables							
Accounts receivable	762,704			9,970	622,967	11,251	1,406,892
Due from other governments	1,959,109			718,624		115,850	2,793,583
Due from other funds	1,638,857	50,949				2,473	1,692,279
Prepaid items	1,171,102	67,712				7,030	1,245,844
Inventory	70,923						70,923
Total Assets	<u>\$ 17,168,825</u>	<u>\$ 5,408,865</u>	<u>\$ -</u>	<u>\$ 1,339,296</u>	<u>\$ 9,063,299</u>	<u>\$ 4,065,602</u>	<u>\$ 37,045,887</u>
LIABILITIES							
Payables							
Accounts payable	\$ 1,383,566	\$ 330,188	\$	\$ 108,372	\$ 2,000	\$ 147,444	\$ 1,971,570
Accrued liabilities	1,516,057	133,929		9,906		14,154	1,674,046
Due to other funds		54,203		757,766		872,764	1,684,733
Due to other governments	71,112						71,112
Unearned credits							
Collections in advance	136,473			5,782		169,590	311,845
Total Liabilities	<u>3,107,208</u>	<u>518,320</u>	<u>-</u>	<u>881,826</u>	<u>2,000</u>	<u>1,203,952</u>	<u>5,713,306</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	5,780						5,780
Unearned revenue	9,692,310	1,777,827				1,495,370	12,965,507
Total Deferred Inflows of Resources	<u>9,698,090</u>	<u>1,777,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,495,370</u>	<u>12,971,287</u>
FUND BALANCE							
Nonspendable:							
Prepays and inventory	1,242,025	67,712				7,030	1,316,767
Restricted:							
Grantors and donor restrictions					9,063,299		9,063,299
Committed: Fund balance						40,336	40,336
Assigned:							
Miscellaneous designations	112,462						112,462
Unappropriated		3,045,006		457,470		2,067,854	5,570,330
Unassigned: Fund balance (deficit)	3,009,040				(2,000)	(748,940)	2,258,100
Total Fund Balance	<u>4,363,527</u>	<u>3,112,718</u>	<u>-</u>	<u>457,470</u>	<u>9,061,299</u>	<u>1,366,280</u>	<u>18,361,294</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 17,168,825</u>	<u>\$ 5,408,865</u>	<u>\$ -</u>	<u>\$ 1,339,296</u>	<u>\$ 9,063,299</u>	<u>\$ 4,065,602</u>	<u>\$ 37,045,887</u>

TOWN OF RIVERHEAD
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2018

Total Governmental Fund Balances \$ 18,361,294

Amounts reported for governmental activities in the Statement of Net Position are different because:

The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Town as a whole, and their original costs are depreciated annually over their useful lives.

Original cost of capital assets	\$ 337,849,665	
Accumulated depreciation	<u>(137,954,497)</u>	199,895,168

Internal Service Funds are used by management to charge the costs of certain activities such as insurance, to individual funds. The assets and liabilities of Internal Service Funds are included in the governmental activities in the government-wide Statement of Net Position (net of amount allocated to long-term liabilities)

2,431,009

Proportionate share of long-term liability and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	13,435,567	
Net pension liability - NYSLRS	(4,324,796)	
Deferred inflows of resources	<u>(10,168,743)</u>	(1,057,972)

Total other postemployment benefits obligation and deferred outflows related to providing benefits in retirement are not current financial resources or obligation and are not reported in the funds

Deferred outflows of resources	1,204,780	
Total other postemployment benefits obligation	<u>(116,366,904)</u>	(115,162,124)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(205,765)	
Bonds payable	(60,014,723)	
Claims and judgments payable	(1,653,974)	
Compensated absences payable	(9,135,741)	
Estimated liability for landfill closure and postclosure care costs	<u>(1,556,141)</u>	(72,566,344)

Total Net Position of Governmental Activities		<u>\$ 31,901,031</u>
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TOWN OF RIVERHEAD
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended December 31, 2018

	Major Funds					Nonmajor	Total
	General	Highway	Debt Service	Capital Projects	Community Preservation	Governmental Funds	Governmental Funds
REVENUES							
Real property taxes	\$ 37,323,155	\$ 7,125,900	\$	\$	\$	\$ 5,967,544	\$ 50,416,599
Real property tax items	711,606	747					712,353
Non-property tax items	2,630,838				4,962,951		7,593,789
Departmental income	3,182,317					419,930	3,602,247
Use of money and property	243,515	40,802			73,805	87,651	445,773
Licenses and permits	75,191	25,650					100,841
Fines and forfeitures	374,205						374,205
Sale of property							
and compensation for loss	24,309	5,883				5,599	35,791
Miscellaneous	255,778	31,030					286,808
Interfund revenues	1,169,566						1,169,566
State and local aid	1,748,105			1,091,270			2,839,375
Federal aid	282,732			115,610		215,493	613,835
Total Revenues	48,021,317	7,230,012	-	1,206,880	5,036,756	6,696,217	68,191,182
EXPENDITURES							
General support	9,427,035	66,973	203,293		2,000	257,120	9,956,421
Public safety	17,481,329						17,481,329
Health	8,800					2,301,689	2,310,489
Transportation	276,290	4,547,821				105,397	4,929,508
Economic assistance & opportunity	875,429					252,367	1,127,796
Culture and recreation	1,386,110					44,610	1,430,720
Home and community services	1,076,743					3,040,665	4,117,408
Employee benefits	12,548,594	1,421,972				166,226	14,136,792
Capital outlay				1,297,271			1,297,271
Debt service							
Principal			8,423,227				8,423,227
Interest			2,514,289				2,514,289
Total Expenditures	43,080,330	6,036,766	11,140,809	1,297,271	2,000	6,168,074	67,725,250
Excess/(Deficiency) of Revenues over Expenditures	4,940,987	1,193,246	(11,140,809)	(90,391)	5,034,756	528,143	465,932
OTHER FINANCING SOURCES AND (USES)							
Proceeds of debt			33,275,000				33,275,000
Premium on obligations			3,173,817				3,173,817
Payment to escrow agent			(36,245,524)				(36,245,524)
Operating transfers in	1,377,310		10,937,516	194,900		170,000	12,679,726
Operating transfers out	(4,859,925)	(761,733)		(38,808)	(5,445,821)	(257,984)	(11,364,271)
Total Other Sources (Uses)	(3,482,615)	(761,733)	11,140,809	156,092	(5,445,821)	(87,984)	1,518,748
Net Change in Fund Balance	1,458,372	431,513	-	65,701	(411,065)	440,159	1,984,680
Fund Balance - Beginning of year	2,905,155	2,681,205		391,769	9,472,364	926,121	16,376,614
Fund Balance - End of year	\$ 4,363,527	\$ 3,112,718	\$ -	\$ 457,470	\$ 9,061,299	\$ 1,366,280	\$ 18,361,294

TOWN OF RIVERHEAD
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For The Year Ended December 31, 2018

Net Change in Fund Balance \$ 1,984,680

Amounts reported for governmental activities in the Statement of Activities are different because:

Long-Term Revenue and Expense Differences

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in estimated liability for landfill closure and postclosure care costs \$ 72,021

Certain operating expenses do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in compensated absences (114,634)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net gain of the internal service funds is reported with the governmental activities.

Decrease in judgments and claims 79,017
Other change in net position (901,390)

(864,986)

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.

Capital additions 3,613,240
Depreciation expense (3,641,831)

(28,591)

Long-Term Debt Transaction Differences

Proceeds and premiums from the issuance of refunding bonds are other funding sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.

(36,448,817)

Payment to the escrow agent is an expenditure in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

36,245,524

The difference between the balance of the refunded bonds and the amount paid to the escrow agent is an expense in the Statement of Activities.

(145,524)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of bond principal 8,423,227

The amortization of deferred premiums of serial bonds decreases interest expense in the Statement of Activities.

329,283

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Accrued interest from December 31, 2017 to December 31, 2018 decreased by:

85,281

8,488,974

Pension and Other Postemployment Benefit Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in the other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Employees' retirement system 114,099
Police and fire employees' retirement system (50,410)
Other postemployment benefits (5,426,860)

(5,363,171)

Change in Net Position of Governmental Activities

\$ 4,216,906

TOWN OF RIVERHEAD
Statement of Net Position -
Proprietary Funds
December 31, 2018

	Water	Sewer	Total	Governmental Activities - Internal Service Funds
ASSETS				
Cash				
Unrestricted	\$ 6,660,244	\$ 3,226,938	\$ 9,887,182	\$ 2,303,054
Restricted	952,142	1,058,084	2,010,226	150,000
Receivables				
Accounts receivable		69,005	69,005	
Water rents receivable	986,404		986,404	
Due from state and federal		3,658,533	3,658,533	
Prepaid items	64,475	37,751	102,226	
Inventories	55,576		55,576	
Capital assets not being depreciated	7,065,885	4,764,732	11,830,617	
Capital assets being depreciated, net	31,523,214	35,125,568	66,648,782	
Total Assets	47,307,940	47,940,611	95,248,551	2,453,054
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	531,642	420,557	952,199	
Other postemployment benefits	68,556	65,757	134,313	
Total Deferred Outflows of Resources	600,198	486,314	1,086,512	-
LIABILITIES				
Payables				
Accounts payable	343,243	444,836	788,079	22,046
Accrued liabilities	164,640	130,281	294,921	
Due to other funds	7,273	273	7,546	
Unearned credits				
Collections in advance	73,033		73,033	
Long-term liabilities				
Due and payable within one year				
Bonds payable	899,654	774,185	1,673,839	
Claims and judgments payable				700,866
Compensated absences payable	50,329	37,757	88,086	
Due and payable after one year				
Bonds payable, net	9,679,858	12,075,174	21,755,032	
Claims and judgments payable				953,108
Compensated absences payable	452,455	339,432	791,887	
Net pension liability - proportionate share	122,667	107,040	229,707	
Total other postemployment benefits obligation	6,307,813	6,049,734	12,357,547	
Total Liabilities	18,100,965	19,958,712	38,059,677	1,676,020
DEFERRED INFLOWS OF RESOURCES				
Unearned revenues	336,559	1,063,638	1,400,197	
Pensions	395,916	359,324	755,240	
Total Deferred Inflows of Resources	732,475	1,422,962	2,155,437	-
NET POSITION				
Net investment in capital assets	28,426,623	27,040,940	55,467,563	
Restricted	952,142		952,142	
Unrestricted (deficit)	(304,067)	4,311	(299,756)	777,034
Total Net Position	\$ 29,074,698	\$ 27,045,251	\$ 56,119,949	\$ 777,034

TOWN OF RIVERHEAD
Statement of Revenues, Expenses and Changes in Fund Net Position -
Proprietary Funds
For The Year Ended December 31, 2018

	Water	Sewer	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES				
Charges for services:				
Water sales	\$ 4,254,515	\$	\$ 4,254,515	\$
Water service charges	120,922		120,922	
Sewer rents		3,070,661	3,070,661	
Sewer charges		1,806,862	1,806,862	
Other revenues	5,333		5,333	
Total Operating Revenues	4,380,770	4,877,523	9,258,293	-
OPERATING EXPENSES				
Administration	1,357,698	786,386	2,144,084	
Claims and judgments				835,638
Plant, transmission and distribution	2,183,842		2,183,842	
Sewage treatment disposal		2,428,980	2,428,980	
Benefits	1,135,142	946,776	2,081,918	
Depreciation	1,562,348	2,323,124	3,885,472	
Total Operating Expenses	6,239,030	6,485,266	12,724,296	835,638
Loss from Operations	(1,858,260)	(1,607,743)	(3,466,003)	(835,638)
NON-OPERATING REVENUES AND (EXPENSES)				
Interest on investments	4,030	20,098	24,128	13,264
Real property taxes	1,279,600	465,800	1,745,400	
Non-property tax distribution by county		846,243	846,243	
Miscellaneous:				
Cellular towers licensing fees	604,008		604,008	
Developer fees	1,859,728	455,948	2,315,676	
Other		129,564	129,564	
Operating transfers out	(408,105)	(907,350)	(1,315,455)	
Interest expense	(204,723)	(191,493)	(396,216)	
Total Net Non-Operating Revenues	3,134,538	818,810	3,953,348	13,264
Change in Net Position	1,276,278	(788,933)	487,345	(822,374)
Total Net Position - Beginning of year, as restated	27,798,420	27,834,184	55,632,604	1,599,408
Total Net Position - End of year	\$ 29,074,698	\$ 27,045,251	\$ 56,119,949	\$ 777,034

TOWN OF RIVERHEAD
Statement of Cash Flows -
Proprietary Funds
For The Year Ended December 31, 2018

	Water	Sewer	Total
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,386,685	\$ 5,166,103	\$ 9,552,788
Cash payments for contractual expenses	(2,276,839)	(1,844,382)	(4,121,221)
Cash payments to employees for salaries and benefits	(2,109,609)	(1,777,799)	(3,887,408)
Other revenues	5,333		5,333
Net Cash Provided by Operating Activities	5,570	1,543,922	1,549,492
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(577,062)	(1,023,432)	(1,600,494)
Proceeds from bonds	5,621,000		5,621,000
Interest paid on capital debt	(171,348)	(191,906)	(363,254)
Premium on serial bond	417,008		417,008
Capital contributions by developers	1,859,728	455,948	2,315,676
Payments to contractors	(4,007,244)	(1,460,019)	(5,467,263)
Net Cash Provided by (Used in) Capital and Related Financing Activities	3,142,082	(2,219,409)	922,673
CASH FLOW FROM INVESTING ACTIVITIES			
Interest on investments	4,030	20,098	24,128
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES			
Real property taxes and tax items	1,449,697	1,914,687	3,364,384
Tower rentals and miscellaneous	578,664	129,202	707,866
Operating grants		(846,243)	(846,243)
Transfers from other funds	(431,843)	(878,905)	(1,310,748)
Net Cash Provided by Noncapital Financing Activities	1,596,518	318,741	1,915,259
Net Increase / (Decrease) in Cash	4,748,200	(336,648)	4,411,552
Cash - Beginning of year	2,864,186	4,621,670	7,485,856
Cash - End of year	\$ 7,612,386	\$ 4,285,022	\$ 11,897,408
RECONCILIATION OF OPERATING INCOME TO			
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Loss from operations	\$ (1,858,260)	\$ (1,607,743)	\$ (3,466,003)
Adjustment to reconcile change in net position to net cash provided by operating activities			
Depreciation	1,562,348	2,323,124	3,885,472
(Increase) Decrease in:			
Accounts receivable	6,353	312,215	318,568
Billings receivable	4,895	(23,635)	(18,740)
Inventory	9,682		9,682
Prepaid items	(770)	2,220	1,450
Deferred outflows of resources	(83,466)	(54,799)	(138,265)
Increase (Decrease) in:			
Accounts payable / accrued liabilities	(102,674)	198,645	95,971
Customer deposits payable	(5)		(5)
Compensated absences payable	16,397	(6,782)	9,615
Postemployment healthcare benefits	359,773	344,471	704,244
Net pension liability - proportionate share	(244,124)	(248,772)	(492,896)
Deferred inflows of resources	335,421	304,978	640,399
Net Cash Provided by Operating Activities	\$ 5,570	\$ 1,543,922	\$ 1,549,492

TOWN OF RIVERHEAD
Statement of Fiduciary Net Position -
Fiduciary Fund
December 31, 2018

	Agency Funds
ASSETS	
Cash	\$ 24,449,819
	<u>\$ 24,449,819</u>
 LIABILITIES	
Guarantee and bid deposits	\$ 24,449,819
	<u>\$ 24,449,819</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Riverhead, New York (the "Town"), which was established in 1792, is governed by Town Law, other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations. The Town Board consists of the Supervisor who is elected for a term of two years and four council members who are elected for terms of four years. The Town Board appoints the Town Attorney whose term is fixed by Town Law. The Town Clerk and Receiver of Taxes are elected and serve for four years terms. The Town provides a full range of municipal services, including public safety, transportation, home and community services, public works and road maintenance, recreation and parks, and general and administrative services.

The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principals.

The most significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, which is the Town; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the Town of Riverhead reporting entity is based on several criteria; including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a summary of certain entities considered in determining the Town's reporting entity.

Blended Component Unit - though legally a separate entity, this component unit is, in substance, part of the Town's operations. The blended component unit serves or benefits the primary government almost exclusively. Financial information from this unit is combined with that of the primary government. The Town's only blended component unit is the Town of Riverhead Community Development Agency.

The Town of Riverhead Community Development Agency was created by Chapter 480 of the Laws of 1982, a special act of the New York State Legislature. The Community Development Agency (CDA) is an independent governmental agency and instrumentality of the State of New York and is a corporate governmental agency constituting a public benefit corporation of the State of New York. The CDA can enter into contracts, sue and be sued, and acquire and own real and personal property, each on its own behalf and in its own name. The CDA can incur debt and issue bonds and notes in its own name and, unless the Town of Riverhead elects to guarantee principal of and interest on, or only the interest on, indebtedness issued by the CDA, all indebtedness of the CDA is a liability only of the CDA and not of the Town of Riverhead.

The inclusion of the CDA as a blended component unit of the Town of Riverhead is required because the members of the CDA governing body are the same as the members of the Town Board of the Town of Riverhead and management of the primary government has operational responsibility for the component unit. When acting as a member of the CDA, however, a member has a fiduciary responsibility to the Community Development Agency and not to the Town of Riverhead.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

The activities of the CDA are reported in the General Fund (administrative costs) and the Special Grant and Community Development Funds, which are reported as special revenue governmental funds in the nonmajor governmental funds financial statements. In addition, any major capital projects for the CDA are reported in the Capital Projects Fund.

Town generated financial statements of the Town of Riverhead Community Development Agency can be obtained by contacting:

Town of Riverhead Community Development Agency
200 Howell Avenue, Riverhead, NY 11901

Discretely Presented Component Units - are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Town. They are financially accountable to the primary government, or have a relationship such that exclusion would cause the Town's financial statements to be misleading or incomplete. These discretely presented component units serve or benefit those outside of the primary government.

The following entities are discretely presented component units of the Town of Riverhead:

- a) The Riverhead Industrial Development Agency (RIDA) is a public benefit corporation created by the New York State Legislature Article 18-A of the General Municipal law under Section 925-p. The RIDA's mission is to attract new businesses to the Town and to help existing Riverhead businesses expand their operations and remain in the Town. Its members shall be appointed by the governing body of the Town of Riverhead. The governing body of the Town of Riverhead appoints the RIDA's Board of Directors which results in interdependency with the Town. However, the RIDA's Board of Directors has complete responsibility for approval and adoption of policies of the RIDA and accountability for fiscal matters. Accordingly, the AIDA has been determined to be a discretely presented component unit of the Town of Riverhead.
- b) The Riverhead IDA Economic Job Development Corporation (LDC) was created as a New York State not-for-profit public benefit corporation. The LDC was established on February 3, 2011 pursuant to Sections 402 and 1411 of the not-for-profit corporation law as defined in section 102(a) (5). The LDC is a government instrumental tax-exempt corporation that was created to sustain and promote industry and commerce in the Town of Riverhead, improve economic opportunities for businesses and residents, maintain and create jobs, improve the quality of life, and promote a healthier community, complementing the objective of the RIDA. The governing body of the Town of Riverhead appoints the LDC's Board of Directors which results in interdependency with the Town. However, the LDC's Board of Directors has complete responsibility for approval and adoption of policies and accountability for fiscal matters. Accordingly, the LDC has been determined to be a discretely presented component unit of the Town of Riverhead.

Both of the Town of Riverhead's discretely presented component units are considered nonmajor.

Complete financial statements of the individually discretely presented component units can be obtained from their respective administrative offices:

Riverhead Industrial Development Agency
209 West Main Street, Riverhead, NY 11901

Riverhead IDA Economic Development Corporation
209 West Main Street, Riverhead, NY 11901

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town as a whole and its nonmajor discretely presented component units with separate columns for the primary governmental activities and business-type activities. For the most part, the effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function, and 3) interest earned on grants or capital projects that is required to be used to support a particular program or project. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses to specific functions in the Statement of Activities.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. Certain funds of the Town are utilized to account for resources derived from and/or expenditures applicable to an area less than the entire town. The focus of the governmental funds financial statements is on the major funds. Accordingly, the Town maintains the following fund types:

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the Town's major governmental funds:

General Fund - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Highway Fund - is used to account for revenues and expenditures for highway purposes. This includes all operations relating to the repair and maintenance of Town roads.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Debt Service Fund - is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for financial resources that are being accumulated for principal and interest in future years. The fund balance of the Debt Service Fund, if any, is restricted to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Projects Fund - is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets other than those financed by proprietary funds. This includes financial resources to be used for the acquisition, construction, renovation, expansion and major improvement of various Town facilities, thoroughfares, arterial streets and drainage improvements, improvements and construction of parks and recreational facilities and acquisition of land and other large nonrecurring projects, other than those financed by proprietary funds. It is also used to account for some grants received from Federal, State and/or County sources.

Community Preservation Fund - is a special revenue account used to account for financial resources for land acquisition and preservation of open space. The voters of the Town approved the implementation of a real estate transfer tax in the amount of 2% against the proceeds of the sale of real property in excess of \$150,000 for developed property and in excess of \$75,000 for undeveloped property. The tax is to be collected on every transaction through the year 2030. The proceeds of this tax are required to be set aside and used to pay the cost of the acquisition of real property, or development rights in farmland for the preservation of open space in the Town.

Nonmajor Special Revenue Governmental Funds

Additionally, the Town reports the following nonmajor Special Revenue governmental funds:

Special Grant Fund - is used to account for the Federal Grant Program administered by the Federal Department of Housing and Urban Development. The Town of Riverhead is a member of the Suffolk County Consortium. It is also used to account for various New York State Grant Programs dealing with community development.

Special Trust Fund - includes funds collected as impact fees from newly approved residential subdivisions and condominiums.

Business Improvement District (BID) - includes all operations relating to promotion of the downtown business community.

East Creek Docking Facility Fund - includes all operations relating to the Town operated docking facility at East Creek, Jamesport.

Street Lighting District Fund - includes operations relating to the repair and maintenance of both traffic and street lights located within the boundaries of the Town.

Ambulance District Fund - includes all operations of a volunteer ambulance within the Town excluding the Wading River Fire District.

Refuse and Garbage District Fund - includes all operations of the closed Town Landfill and includes contracted residential garbage pickup. Commercial carters are contracted with the Town to provide residential collection of solid waste and are responsible for the ultimate disposal of this solid waste.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
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Only residential properties contribute to the operations of the district via real property taxes on a benefit derived basis.

Public Parking District Fund - includes all operations relating to the public parking fields located only in the downtown business district.

Community Development Fund - is used to account for the operations of the CDA property located at the Calverton Enterprise Park.

Proprietary Funds – are used to account for ongoing activities which are similar to those often found in the private sector. Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows, liabilities (whether current or non-current) and deferred inflows are included on Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position.

The Town reports the following major proprietary funds:

The Sewer District Fund, which is comprised of:

Riverhead Sewer District Fund - includes all operations relating to public sanitary sewers within the hamlet of Riverhead. This fund also includes its own capital projects and a denitrification reserve fund. This district does not encompass the entire Town. This district contracts with the County of Suffolk to provide services to the County Center Complex located in the Town of Riverhead.

Calverton Sewer District Fund - includes all operations relating to public sanitary sewers within the hamlet of Calverton. This fund also includes its own capital projects.

Riverhead Scavenger Waste District Fund - includes all the operations relating to scavenger or septic system waste from properties outside the two sewer districts. This fund also includes its own capital projects.

The Water District Fund:

The Water District Fund - includes operations relating to potable water within the Town. This district does not encompass the entire Town. This fund also includes its own capital projects.

Additionally, the Town reports the following fund type:

Internal Service Funds - are used to account for special activities or services provided by one department to other departments on a cost-reimbursement basis.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the Town's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriate

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

functional activity (general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, etc.).

The Internal Service Fund is comprised of the following funds:

Self-Insurance Fund -Workers' Compensation - is a fund that the Town uses as a self-insurance program covering workers' compensation costs for all employees and this fund is used to report this activity. For 2018, workers' compensation has a Self-Insured Retention (SIR) of \$400,000 for all personnel.

Self-Insurance Fund - Risk Retention Fund - is used to account for the Town's self-insurance program for general liability claims and other litigation. For 2018, general liability had a \$250,000 SIR with a limit of \$10,000,000.

For the most part, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are Internal Service Fund charges and charges between the Town's Sewer or Water Enterprise Funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Fiduciary Funds – are used to account for assets held by the Town in a trustee or custodial capacity.

The Town's fiduciary fund (Agency Fund) is presented in the fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The Town has presented the following fiduciary fund:

Agency Funds - is used to account for money received and held in the capacity of trustee, custodian or agent.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to what is being measured whereas the basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within sixty (60) days of the end of the current period.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

However, certain revenues maybe considered available if received within one year after the end of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, landfill closure and postclosure care costs, proportionate share of the net pension liabilities, pollution remediation obligations and other postemployment benefits are recorded when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt is reported as other financing sources.

Revenues susceptible to accrual are sales tax, mortgage tax, franchise fee taxes, state and federal aid, intergovernmental revenue and operating transfers. All other governmental fund revenues are recognized when received. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements are met. Expenditures for prepaids are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing and delivering services and/or goods in connection with the proprietary fund's principal ongoing operations. Operating expenses include the cost of personnel (salaries and benefits), materials and supplies, direct costs, equipment and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues (such as interest earnings) and expenses (such as interest expense).

The Agency Fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

Cash consists of funds deposited in demand accounts, both interest bearing and non-interest bearing, time deposit accounts and petty cash. For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity when purchased of three months or less to be cash equivalents.

State statutes govern the Town's investment policy. The Town has a written policy stating that Town money must be deposited in FDIC insured commercial banks or trust companies. The Town Supervisor is authorized to use demand accounts, special time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, obligations of New York State or its localities, and certificates of participation. All demand deposits and special time deposit accounts are carried at cost. The Town has no investments at December 31, 2018.

Collateral is required for all deposits in financial institutions at a minimum of 100% of all deposits not covered by federal deposit insurance. The Town's investment policy defines acceptable forms of collateral as 1) certain eligible securities, including but not limited to obligations of the United States and its agencies, obligations of New York State and its municipalities and school districts at 102% of the deposits, 2) certain irrevocable letters of credit issued in favor of the Town, and 3) certain eligible surety bonds issued. The Town

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

may authorize the depository bank or trust company to "redeposit" the Town's funds through a deposit placement program that meets the requirements of State statutes.

E. Restricted Assets

Certain assets of the Capital Projects Fund, Community Preservation Fund, Special Grant Fund, Community Development Fund and Internal Service Fund are classified as restricted assets because their use is restricted by law and/or contractual agreement.

F. Interfund Transactions

Receivables relating to governmental activities primarily include amounts due from federal, state, and other local governments; individuals and entities for services provided by the Town, as well as amounts due related to various grant and franchise agreements. Receivables relating to business type activities consist of amounts due from other governments and from residents and other entities for services rendered. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred and are recorded net of an allowance.

Interfund transactions, exclusive of interfund services provided and used, have been eliminated from the government-wide financial statements. In the funds statements, interfund transactions include:

Interfund Revenues - interfund revenues and interfund services provided and used, represent amounts charged for services or facilities provided by the General and Highway Funds. The amounts paid by the fund receiving the benefits of the service or facilities are reflected as an expenditure in that fund. Transfers to the insurance reserve are classified as insurance expense in the operating funds and charges for sales and services in the Internal Service Fund.

Transfers - represent payments to the Debt Service Fund from the other funds for their appropriate share of the debt service and indirect expense allocations between the enterprise funds and the General Fund. Other transactions between funds include residual equity transfers to close out completed capital projects as well as transfers to fund certain capital projects.

G. Use of Estimates

The preparation of general purpose financial statements, in conformity with accounting principles generally accepted in the United State of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

H. Due To/From Other Funds

During the course of operations, the government has activity between funds for various purposes. Balances of interfund amounts receivable or payable have been recorded in the fund financial statements to the extent that certain transactions between funds had not been paid or received as of the year-end. Certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between the governmental activities and business type activities are reported in the government-wide financial statements as internal balances.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

I. Inventory and Prepaid Items

Inventory in the General Fund and the proprietary funds is valued at cost. Inventory in these funds is accounted for under the purchase method, utilizing the first-in, first-out method (FIFO).

Certain payments to vendors and other governments reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund financial statements.

In governmental funds, amounts reported as inventories and prepaid items are equally offset by nonspendable fund balance amounts, indicating that they do not constitute "available spendable resources" even though they are a component of net current assets.

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets purchased or acquired with an original cost of \$5,000 or more and a five year useful life are reported at historical cost or estimated historical cost. Infrastructure assets capitalized with an original cost of \$5,000 or more are reported at historical cost. Contributed assets are valued at their acquisition value on the date donated. Other costs incurred for repairs and maintenance are expensed as incurred. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant or equipment.

Intangible assets lack a physical substance, are nonfinancial in nature, and have an estimated useful life extending beyond a single reporting period. The Town does not capitalize internally generated capital assets produced by Town labor. The Town will capitalize all other intangible assets exceeding \$50,000 and having a useful life of more than three years. Intangibles with indefinite useful lives may be capitalized (if it exceeds the threshold) and not amortized. The term depreciation, as used in these footnotes, includes amortization of intangible assets.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Buildings	20 - 50 years
Machinery and equipment	5 - 20 years
Vehicles	5 - 10 years
Improvements	10 - 50 years
Infrastructure	10 - 50 years
Intangibles	5 - 10 years

Infrastructure assets, consisting of certain improvements including but not limited to roads, curbs, sidewalks, drainage and water systems, and street lighting, are capitalized along with other capital assets.

In the fund financial statements capital assets are recorded as capital outlay expenditures in the governmental fund upon acquisition. No depreciation has been recorded on governmental capital assets in the fund financial statements, nor has interest on governmental capital assets and construction in progress been capitalized.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The Town has reported deferred outflows of resources of \$15,726,859, of which \$14,640,347 relates to governmental activities and \$1,086,512 relates to business-type activities, for pension and other postemployment benefit related activities in the government-wide and proprietary fund's Statement of Net Position.

The pension plan deferred outflow represents the difference during the measurement period between expected and actual experience, change in assumptions, the net difference between projected and actual investment earnings on the pension plan assets and the net change in the Town's proportion of the collective net pension liability and the difference during the measurement period between the Town's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. This amount also includes the Town's contributions to the pension system subsequent to the measurement date.

In addition to liabilities, balance sheet or the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows from real property taxes levied in the current year to finance the subsequent year's budget that will be recognized as revenues in the period that the amounts become available as a deferred inflow of resources on the Town's fund and government-wide financial statements. The amount of real property taxes collected during 2018 that relates to the 2019 tax levy was \$14,371,484, of which \$12,971,287 relates to governmental activities and \$1,400,197 relates to business-type activities. On the government-wide and proprietary fund statement of net position, the Town reports a deferred inflow of resources of \$10,923,983, of which \$10,168,743 relates to governmental activities and \$755,240 relates to business-type activities. This deferred inflow of resources relates to changes in proportion and differences between the contributions and proportionate share of the Town's net pension liability as well as differences between expected and actual experience.

L. Collections in Advance

Collections in advance arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the Town, such as summer tennis fees and golf memberships. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the Town has legal claim to the resources.

M. Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types of the fund financial statements, liabilities for long-term obligations consisting of general obligation bonds, compensated absences, claim and judgments, liability for landfill closure and postclosure care costs, the proportionate share of the net pension liabilities and postemployment benefits healthcare costs are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Significant bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Debt issuance costs are expensed as incurred.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period, in the fund servicing the debt. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

N. Net Position and Fund Balance Classifications

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. In the government-wide financial statements and proprietary fund financial statements, net position is reported in three categories:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Accounts payable related to capital projects are considered capital related debt and are used in the calculation of net investment in capital assets.
- 2) Restricted - Reports net position with constraints placed on the use either by (a) external groups such as creditors, granters, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- 3) Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned. Not all of the Town's funds will necessarily have all of the components of fund balance available to that fund.

- 1) Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form (i.e., prepaid items or inventories), or (b) will not convert to cash within the current period (i.e., long term receivables and financial assets held for resale), or (c) legally or contractually required to be maintained intact (i.e., the principal of a permanent fund).

The spendable portion of fund balance comprises the remaining four classifications: restricted, committed, assigned or unassigned.

- 2) Restricted fund balance reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- 3) Committed fund balance reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision making authority. The Town's highest decision making authority is the Town Board, who by adoption of a Town ordinance prior to year end, can commit fund balance. Those committed amounts cannot be used for any other purpose unless the Town Board removes or changes the specified use by taking the same type of action imposing the commitment.
- 4) Assigned fund balance reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Town Board and the Financial Administrator

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

- 5) Unassigned fund balance reflects the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

O. Net Position and Fund Balance Flow Assumptions

When outlays for a particular purpose can be funded from both restricted and unrestricted resources it is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

When both restricted and unrestricted fund balance resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources - committed, assigned and unassigned - in order as needed.

P. Fund Balance Policy

The Town has, by resolution, adopted a fund balance policy that states the Town will make all reasonable efforts to maintain a total fund balance in its General Fund of no less than 15% of its total operating budget. If an emergency or a need were to occur that necessitated the appropriation of funds that would result in reducing the General Fund's fund balance below 15% of operating expenditures, a resolution of the Town Board, by simple majority, would be necessary to approve such appropriation. Total fund balance below the minimum cannot be replaced, unless during the succeeding year expenditures are less than amounts budgeted and/or non-tax revenues are higher than projected. Although the Town increased General Fund fund balance by approximately \$1,458,000 it is still under the 15% of its total operating budget as of December 31, 2018.

Q. Revenues and Expenditures

Real Property Taxes

Real property taxes are levied annually no later than December 15th and are recognized as revenue January 1st of the year for which they were levied. The Town has its own Assessor's Office whose responsibilities are independent and distinct from those of the Receiver of Taxes. The Town assessment rolls are used for the levy of property taxes by the Town and the school districts, as well as by the County of Suffolk, New York (the "County") and by special districts based upon a single tax bill.

The Town of Riverhead Receiver of Taxes ("Receiver") collects all real property taxes for the Town, Suffolk County, Town Special Districts, and school districts located within the Town of Riverhead as a single bill. Taxes are collected by the Town during the period December 1st to May 31st. The first half is due on January 10th and the second half is due on May 31st; the Suffolk County Tax Act guarantees that the Town, Special Districts and school districts will receive the full amount of their levies at the end of the collection period. After May 31st, the County of Suffolk assumes enforcement responsibility for all uncollected taxes. If the Town fails to collect the Town's portion of the tax warrant, that shortfall is remitted by the County to the Town in August.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Postemployment Benefits Healthcare Costs

In addition to providing pension benefits, the Town provides health insurance coverage and survivor benefits for retired employees and their dependents. For Town management and Town elected officials eligibility requirements for coverage in retirement are five consecutive years of service with the Town for all individuals hired or elected prior to November 4, 2009; for Civil Service Employee Association members, this date is October 7, 2008, and 10 consecutive years of service with the Town for all individuals hired or elected thereafter, and the employee must either (1) be in service to the Town on the last date immediately prior to retirement in the New York State and Local Employees' Retirement System (NYSERS); or (2) have been in service to the Town as his/her last public sector employer, and have continuously self-paid his/her health insurance premiums to, and remained enrolled in, the Town's health insurance plan between the last date of service with the Town and the date of vesting and also be eligible for the receipt of benefits from the NYSERS.

Substantially all full-time police employees of the Town become eligible for these benefits if they reach normal retirement age while working for the Town.

Healthcare benefits are currently provided by the New York State Health Insurance Program NYSHIP (Empire Plan) whose premiums are community rated.

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The Town's union contracts and ordinances require that it provide its eligible enrollees with the Empire Plan benefit coverage, or if another provider is utilized, the equivalent coverage. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The Town has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss.

The liability for these other postemployment benefits payable is recorded as long-term debt in the government-wide and the proprietary fund financial statements.

Employee Benefits - Compensated Absences

The liability for vested or accumulated vacation, sick and personal leave (compensated absences) is recorded as current and non-current obligations in the government-wide and proprietary fund financial statements. The current portion of this debt is estimated based on historical trends. Compensated absences liabilities and expenses are reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

The amount that is expected to be liquidated with expendable available financial resources is reported as a liability in the funds statement in the respective fund that will pay it.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System, which are collectively referred to as New York State and Local Retirement Systems (the "Systems") have been determined on the same basis as they are reported by the Systems. For this purpose, the Systems recognize benefit payments when due and payable in accordance with the benefit terms and reports investments at fair value.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended December 31, 2018, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the Statement requires the Town to report other postemployment benefits liabilities, expenses, deferred outflows of resources and deferred inflows of resources on the full accrual basis.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the government-wide statements, compared with the current financial resource measurement focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the Town's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities, including pensions.

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses, such as compensated absences.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal payments are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus the accrual basis of accounting (whereby an expense is recognized related to the Town's proportionate share of the collective pension expense of the plan).

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

1. The Town Charter establishes the fiscal year as the twelve-month period beginning January 1st
2. On or before September 20th, each department, officer or district submits to the Financial Administrator, a detailed estimate of the budget for the amount of revenue to be received and expenditures to be made for the ensuing year.
3. On or before September 30th, the Budget Officer, who is the Town Supervisor, files with the Town Clerk a tentative budget for the ensuing year. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
4. On or before October 5th, the Town Board reviews the tentative budget and files with the Town Clerk, a preliminary budget.
5. The Town Board conducts public hearings on the preliminary budget and on or before November 20th Town Board meets to adopt the budget known as the "annual budget."
6. Formal budget integration is employed during the year as a management control device for the General Fund and certain Special Revenue Funds. Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures. The Town Board adopts the budget and establishes legal level of control of the budget at the object level of expenditures. The object level identifies expenditures by the article purchased or service obtained in order to carry out a function. Appropriations are adopted at the object level. All budgetary amendments and transfers of appropriation require Town Board approval via resolution except for transfers of \$5,000 or less which can be done by the Finance Administrator. Appropriations for all governmental funds except the Capital Projects Fund lapse at year end. Transfers between \$5,000 and \$10,000 require approval of the Supervisor.
7. Budgets for the General Fund, certain Special Revenue Funds and the Debt Service Fund are legally adopted each year. The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual expenditures exceed budgeted amounts, budgetary appropriations transfers are made. The Capital Projects, Special Grants and Community Development Funds do not have annually adopted budgets, but are budgeted on a project or grant basis.
8. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however, local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Town did not exceed the 2% property tax cap for 2018.

B. Fund Equity

Fund Balance

The following table provides the detail regarding fund balance categories and classifications for the governmental funds which show components of nonspendable fund balances, as well as the purposes for restricted, and assigned fund balance. The unassigned fund balance is also presented.

	General Fund	Highway Fund	Capital Projects Fund	Community Preservation Fund	Other Governmental Funds	Total
Fund Balances:						
Nonspendable						
Inventory	\$ 70,923	\$	\$	\$	\$	\$ 70,923
Prepaid Items	1,171,102	67,712			7,030	1,245,844
Total Nonspendable	1,242,025	67,712	-	-	7,030	1,316,767
Restricted for:						
Community Preservation - 2% tax				7,161,399		7,161,399
Assigned to:						
Subsequent year's budget				1,899,900		1,899,900
Capital projects			457,470			457,470
Miscellaneous designations	112,462					112,462
Special revenue funds		3,045,006			2,108,190	5,153,196
Total Assigned	112,462	3,045,006	457,470	1,899,900	2,108,190	7,623,028
Unassigned, reported in:						
General Fund	3,009,040					3,009,040
Special Trust Fund					(748,940)	(748,940)
Total Unassigned	3,009,040	-	-	-	(748,940)	2,260,100
Total Funds Balances	\$ 4,363,527	\$ 3,112,718	\$ 457,470	\$ 9,061,299	\$ 1,366,280	\$ 18,361,294

Deficit Fund Balances

The Recreation Program Fund and the Police Athletic League Fund, which are included in the General Fund for reporting purposes, had fund deficits of \$265,678 and \$11,658, respectively, at December 31, 2018. The deficits in these funds are expected to be eliminated in 2019 by reducing the expenditures and increasing the program revenues. The Special Trust Fund, which is a non-major governmental fund, had a fund deficit of \$748,940 at December 31, 2018. The deficit is expected to be eliminated through future impact fees from residential subdivisions and condominiums.

Fund Balance Reserves and Designations

Miscellaneous Designations

The majority of the \$112,462 in miscellaneous designations in the General Fund consists of the following: \$60,953 is designated for the Senior Day Care Center, \$25,666 is designated for the Economic Development Zone, and \$25,843 is designated for a Teen Center.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Town's investment policies are governed by state statutes and Town policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure the Town may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Town's name.

The Town's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the Town's behalf at year end in the Town's name.

The Town did not have any investments at year end or during the year. Consequently, the Town was not exposed to any material credit risk, interest rate risk or concentration of credit risk.

6. INTERFUND TRANSACTIONS

At December 31, 2018, individual fund interfund receivable and payable balances represent either loans, services provided, or reimbursements which are expected to be paid currently. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. These balances, representing various short-term loans for operating purposes, are stated as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,638,857	\$	\$ 1,377,310	\$ 4,859,925
Highway Fund	50,949	54,203		761,733
Debt Service Fund			10,937,516	
Capital Projects Fund		757,766	194,900	38,808
Community Preservation Fund				5,445,821
Nonmajor Funds	2,473	872,764	170,000	257,984
Total Governmental Funds	1,692,279	1,684,733	12,679,726	11,364,271
Water Fund		7,273		408,105
Sewer Fund		273		907,350
Total Proprietary Funds	-	7,546	-	1,315,455
Total Governmental and Proprietary Funds	\$ 1,692,279	\$ 1,692,279	\$ 12,679,726	\$ 12,679,726

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

The individual fund interfund transfer balances for the governmental and proprietary funds primarily represent transfers for debt service payments, chargebacks for administrative services provided to the proprietary funds and transfers of funds to provide funding for capital projects.

7. CAPITAL ASSETS

Capital assets and accumulated depreciation of the governmental activities and business-type activities for the year ended December 31, 2018, were as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
Governmental activities:				
Capital assets not being depreciated				
Land and landfills	\$ 107,303,389	\$	\$	\$ 107,303,389
Intangibles - development rights/easements	52,966,917			52,966,917
Construction work in progress	877,664	701,111	(784,838)	793,937
Total capital assets not being depreciated	<u>161,147,970</u>	<u>701,111</u>	<u>(784,838)</u>	<u>161,064,243</u>
Capital assets being depreciated				
Buildings	12,717,823	647,534		13,365,357
Improvements	19,173,332	886,178		20,059,510
Infrastructure	118,118,438	960,603		119,079,041
Machinery and equipment	23,156,096	1,181,479	(317,547)	24,020,028
Intangibles - software	281,832	21,173	(41,519)	261,486
Total capital assets being depreciated	<u>173,447,521</u>	<u>3,696,967</u>	<u>(359,066)</u>	<u>176,785,422</u>
Less accumulated depreciation for:				
Buildings	5,557,967	274,854		5,832,821
Improvements	10,784,298	1,063,529		11,847,827
Infrastructure	98,158,702	1,568,231		99,726,933
Machinery and equipment	20,033,172	729,714	(317,547)	20,445,339
Intangibles - software	137,593	5,503	(41,519)	101,577
Total accumulated depreciation	<u>134,671,732</u>	<u>3,641,831</u>	<u>(359,066)</u>	<u>137,954,497</u>
Total capital assets being depreciated	<u>38,775,789</u>	<u>55,136</u>		<u>38,830,925</u>
Capital assets, net	<u>\$ 199,923,759</u>	<u>\$ 756,247</u>	<u>\$ (784,838)</u>	<u>\$ 199,895,168</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
Business-type activities combined:				
Capital assets not being depreciated				
Land	\$ 1,829,300	\$	\$	\$ 1,829,300
Intangibles - development rights/easements	2,378,757			2,378,757
Construction in progress	6,877,749	3,123,568		10,001,317
Total capital assets not being depreciated	<u>11,085,806</u>	<u>3,123,568</u>	<u>-</u>	<u>14,209,374</u>
Capital assets being depreciated				
Buildings	36,885,697			36,885,697
Improvements	25,792,207	248,140		26,040,347
Infrastructure	69,741,717	615,057		70,356,774
Machinery and equipment	9,206,832	119,626		9,326,458
Other assets	88,000			88,000
Total capital assets being depreciated	<u>141,714,453</u>	<u>982,823</u>	<u>-</u>	<u>142,697,276</u>
Less accumulated depreciation for:				
Buildings	19,565,592	667,688		20,233,280
Improvements	1,484,574	1,823,081		3,307,655
Infrastructure	45,125,176	1,326,100		46,451,276
Machinery and equipment	8,278,439	68,601		8,347,040
Other assets	88,000			88,000
Total accumulated depreciation	<u>74,541,781</u>	<u>3,885,470</u>	<u>-</u>	<u>78,427,251</u>
Capital assets, net	<u>\$ 78,258,478</u>	<u>\$ 220,921</u>	<u>\$ -</u>	<u>\$ 78,479,399</u>

Depreciation was charged to the functions and programs as follows:

	Governmental Activities		Business-Type Activities
General support	\$ 698,390	Water	\$ 1,562,346
Public safety	204,023	Sewer Fund	<u>2,323,124</u>
Health	106,998		
Transportation	1,554,212		<u>\$ 3,885,470</u>
Economic assistance and opportunity	338,496		
Culture and recreation	646,423		
Home and community services	<u>93,289</u>		
	<u>\$ 3,641,831</u>		

The Town of Riverhead evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. At December 31, 2018, the Town has not recorded any such impairment losses.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. LONG-TERM LIABILITIES

A. Changes in Long-Term Debt

Long-term liability activities for the year ended December 31, 2018 are as follows:

Governmental activities:	As Restated Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Non-Current Liabilities	
					Due Within One Year	Due After One Year
General obligation bonds	\$ 66,772,002	\$ 33,256,362	\$ 44,504,589	\$ 55,523,775	\$ 8,566,632	\$ 46,957,143
Plus deferred amounts:						
Premiums on issuance	1,646,414	3,173,817	329,283	4,490,948	931,848	3,559,100
Total bonds payable	68,418,416	36,430,179	44,833,872	60,014,723	9,498,480	50,516,243
Compensated absences	9,021,107	114,634		9,135,741	914,448	8,221,293
Claims and judgments	1,732,991	1,720,396	1,799,413	1,653,974	953,108	700,866
Estimated liability for landfill closure and postclosure care costs	1,628,162		72,021	1,556,141	53,915	1,502,226
Net pension liabilities - proportionate share	10,554,271		6,229,474	4,324,797		4,324,797
Postemployment benefits healthcare costs	109,735,264	6,631,640		116,366,904		116,366,904
	<u>\$ 201,090,211</u>	<u>\$ 44,896,849</u>	<u>\$ 52,934,780</u>	<u>\$ 193,052,280</u>	<u>\$ 11,419,951</u>	<u>\$ 181,632,329</u>
Business-type activities:						
General obligation bonds	\$ 18,991,357	\$ 5,639,638	\$ 1,619,134	\$ 23,011,861	\$ 1,624,368	\$ 21,387,493
Plus deferred amounts:						
Premiums on issuance		417,008		417,008	49,471	367,537
Total bonds payable	18,991,357	6,056,646	1,619,134	23,428,869	1,673,839	21,755,030
Compensated absences	870,356	9,617		879,973	88,086	791,887
Net pension liabilities - proportionate share	722,603		492,897	229,706		229,706
Postemployment benefits healthcare costs	11,653,303	704,244		12,357,547		12,357,547
	<u>\$ 32,237,619</u>	<u>\$ 6,770,507</u>	<u>\$ 2,112,031</u>	<u>\$ 36,896,095</u>	<u>\$ 1,761,925</u>	<u>\$ 35,134,170</u>

Other long-term liabilities for compensated absences, the Town's proportionate share of the net pension liabilities, postemployment benefits healthcare costs and the estimated liability for landfill closure and postclosure costs are to be paid by the fund that gave rise to the liability. Claims and judgments are being paid from the risk retention reserve which is funded by the operating account based on historical experience.

B. Bonds Payable

General obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the Town. General obligation bonds require the Town to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The Town is in compliance with this requirement.

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the Town to rebate excess arbitrage earnings from bond proceeds to the federal government. There were no excess arbitrage earnings for the year ended December 31, 2018.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

The long-term liabilities, which are backed by the full faith and credit of the Town, bear interest at various rates from 0.608% to 5.000% and have maturity dates through 2036.

The activity related to the general obligations bonds for year ended December 31, 2018 is as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
Governmental activities:				
General Fund	\$ 23,219,763	\$ 5,240,098	\$ 9,232,558	\$ 19,227,303
Highway Fund	3,559,423	815,525	1,512,885	2,862,063
Community Preservation Fund	38,697,981	27,153,025	33,557,112	32,293,894
Non-major Funds	1,294,835	47,714	202,034	1,140,515
Total Governmental Activities	66,772,002	33,256,362	44,504,589	55,523,775
Business-type activities				
Sewer District Funds	13,872,793	18,638	1,042,072	12,849,359
Water District Funds	5,118,566	5,621,000	577,062	10,162,504
Total business-type activities	18,991,359	5,639,638	1,619,134	23,011,863
Total general obligation bonds	\$ 85,763,361	\$ 38,896,000	\$ 46,123,723	\$ 78,535,638

On the statement of net position, the general bond obligations include the amount related to the amortization of bond premiums from advance refunding of bonds. The remaining unamortized refunding at December 31, 2018 is \$4,907,957, which is excluded from the above table. The bond premiums are being amortized on a weighted average per year through January 2030. The Town amortized \$329,283 for the year ended December 31, 2018.

At December 31, 2018, bonds payable consisted of the following individual issues:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at December 31, 2018
Governmental activities:				
Serial bonds - public improvement	2008	12/2/2030	3.25%-4.00%	\$ 181,000
Serial bonds - public improvement	2011	11/15/2027	2.50%-3.75%	10,265,000
Refunding bonds	2012	6/1/2022	2.00%-5.00%	11,821,413
Refunding bonds	2018	8/1/2030	4.00%-5.00%	33,256,362
				55,523,775
Business-type activities:				
Refunding bonds	2008	5/15/2020	3.00%-5.00%	474,000
Refunding bonds - C	2011	10/15/2031	0.785%-4.665%	805,000
Serial bonds - public improvement	2011	11/15/2031	2.50%-3.75%	3,810,000
Refunding bonds	2012	6/1/2022	2.00%-5.00%	683,225
Serial bonds - public improvement - B	2016	8/1/2036	0.608%-3.073%	11,600,000
Refunding bonds	2018	8/1/2030	4.00%-5.00%	18,638
Serial bonds - public improvement	2018	12/1/2033	4.00%	5,621,000
				23,011,863
Total general obligation bonds				\$ 78,535,638

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Future principal and interest payments for bonds payable related to governmental activities are as follows:

Governmental Activities

Year Ending December 31,	Principal	Interest	Total
2019	\$ 8,566,632	\$ 1,750,145	\$ 10,316,777
2020	8,093,730	1,950,242	10,043,972
2021	7,823,787	1,605,815	9,429,602
2022	7,619,988	1,276,247	8,896,235
2023	3,645,000	997,613	4,642,613
2024-2028	16,680,000	2,524,925	19,204,925
2029-2030	3,094,638	185,600	3,280,238
Total	<u>\$ 55,523,775</u>	<u>\$ 10,290,587</u>	<u>\$ 65,814,362</u>

Future principal and interest payments for bonds payable related to business-type activities are as follows:

Business-Type Activities

Year Ending December 31,	Principal	Interest	Total
2019	\$ 1,624,368	\$ 638,356	\$ 2,262,724
2020	1,636,270	597,590	2,233,860
2021	1,401,213	560,342	1,961,555
2022	1,420,012	527,861	1,947,873
2023	1,275,000	496,267	1,771,267
2024-2028	6,785,000	1,995,632	8,780,632
2029-2033	6,735,000	851,767	7,586,767
2034-2036	2,135,000	130,231	2,265,231
Total	<u>23,011,863</u>	<u>5,798,046</u>	<u>28,809,909</u>
Total general obligation bonds	<u>\$ 78,535,638</u>	<u>\$ 16,088,633</u>	<u>\$ 94,624,271</u>

C. Interest Expense

Interest on long-term debt for the year was composed of the following:

	Governmental Activities	Business-Type Activities
Interest paid	\$ 2,514,289	\$ 352,711
Less: Interest accrued in the prior year	(291,046)	(64,701)
Add: Interest accrued in the current year	205,766	108,206
Less: Amortization of deferred amounts on refunding	(329,283)	
Total interest expense on long-term debt	<u>\$ 2,099,726</u>	<u>\$ 396,216</u>

D. Unissued Debt

At December 31, 2018, the Town had \$24,624,523 in general obligation bonds, which were authorized but not issued.

At December 31, 2018, the total long-term outstanding general obligation bonds of the Town aggregated to \$78,535,638. Of this amount \$55,523,775 was subject to the constitutional debt limit and represented approximately 20.05% of its statutory debt limit.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Conduit Debt Obligations

From time to time the Riverhead Industrial Development Agency (RIDA) and the Riverhead IDA Economic Job Development Corporation (LDC) have issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities to improve economic opportunities for businesses and residents deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Town, the RIDA, the LDC, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2018, the RIDA had eight (8) industrial revenue bonds outstanding and the LDC had two (2) industrial revenue bonds outstanding with aggregate principal amounts payable of \$41,576,435 and \$19,975,000, respectively.

9. PENSION PLANS – NEW YORK STATE

A. General Information

Plan Description

The Town of Riverhead participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS") (the "Systems"). These are cost-sharing multiple-employer retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town of Riverhead also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

B. Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit, there is no minimum service requirement. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 and Tier 2, is 55 and 62, respectively.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 members is age 63 for ERS members and 62 for PFRS members.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 members, the accidental disability benefit is a pension of 75% of final average salary, with an offset for any workers' compensation benefits received. The benefit for eligible Tier 3, 4 and 5 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is general three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: 1) all pensioners who have attained age 62 and have been retired for five years; 2) all pensioners who have attained age 55 and have been retired for ten years; 3) all disability pensioners, regardless of age, who have been retired for five years; 4) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and 5) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual consumer price index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

C. Contributions

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership; and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute 3% of their salary for the entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
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The required contributions, for the primary government, for the current year and two preceding years were:

	<u>Annual Required Contribution</u>	<u>Credits & Miscellaneous Adjustments</u>	<u>Prepayment Discount</u>	<u>Total Payment</u>
Annual Required Contribution - ERS				
2018	\$ 2,107,871	\$ 2,123	\$ (17,769)	\$ 2,092,225
2017	2,041,115	2,165	(17,190)	2,026,090
2016	2,162,527	5,093	(18,254)	2,149,366
Annual Required Contribution - PFRS				
2018	\$ 2,956,892	\$ 456	\$ (24,905)	\$ 2,932,443
2017	2,991,681	-	(25,194)	2,966,487
2016	2,976,740	1,049	(25,078)	2,952,711

The actual contributions were equal to 100% of the actuarially required amounts. The credits and miscellaneous adjustments represent modifications made by the Systems to the prior year's contributions due to differences between estimated and actual salaries for the plan year.

D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the Town reported a total liability of \$4,554,501 for its proportionate share of the net pension liability for the Systems. The net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 2017. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the system relative to the projected contributions of all participating members, actuarially determined.

Below is the proportionate share of the net pension liability of the Systems and the related employer allocation percentage as of March 31, 2018 (measurement date).

	<u>ERS</u>	<u>PFRS</u>
Measurement date	March 31, 2018	March 31, 2018
Town's proportionate share of the net pension liability	\$ 1,520,126	\$ 3,034,375
Town's portion of the Plan's total net pension liability	0.0470999%	0.3002082%
Change in proportion since the prior measurement date	(0.0021275)	(0.0207026)

The Town's portion of the net pension liability for ERS, in the amount of \$1,520,126, is reported in the governmental activities and business-type activities in the amount of \$1,290,420 and \$229,706, respectively. The Town's net portion of the net pension liability for PFRS was reported in the governmental activities.

There was no significant change in the Town's proportion from March 31, 2017 to March 31, 2018.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended December 31, 2018, the Town recognized pension expense of \$4,932,120, of which \$4,608,815 was related to governmental activities and \$323,305 was for business-type activities. At December 31, 2018, deferred outflows of resources related to the pension were reported from the following sources:

	Deferred Outflows of Resources		
	Governmental Activities		Business-Type
	ERS	PFRS	Activities ERS
Differences between expected and actual experience	\$ 460,251	\$ 1,248,918	\$ 81,928
Changes of assumptions	855,655	2,299,089	152,314
Net difference between projected and actual earnings on pension plan investments	1,874,233	2,455,971	333,630
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	232,232	496,972	128,072
Town contributions subsequent to the measurement date	1,312,914	2,199,332	256,255
Total	<u>\$ 4,735,285</u>	<u>\$ 8,700,282</u>	<u>\$ 952,199</u>

At December 31, 2018, deferred inflows of resources related to the pension were reported from the following sources:

	Deferred Inflows of Resources		
	Governmental Activities		Business-Type
	ERS	PFRS	Activities ERS
Differences between expected and actual experience	\$ 380,334	\$ 806,303	\$ 67,702
Net difference between projected and actual investment earnings on pension plan	3,699,548	4,946,192	658,552
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	136,754	199,612	28,986
	<u>\$ 4,216,636</u>	<u>\$ 5,952,107</u>	<u>\$ 755,240</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Governmental Activities		Business-Type
	ERS	PFRS	Activities
			ERS
2019	\$ 333,639	\$ 714,077	\$ 94,775
2020	229,292	644,718	64,748
2021	(924,954)	(584,894)	(149,308)
2022	(432,242)	(374,653)	(69,511)
2023		149,595	
	<u>\$ (794,265)</u>	<u>\$ 548,843</u>	<u>\$ (59,296)</u>

c) Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	ERS	PFRS
Measurement date	March 31, 2018	March 31, 2018
Actuarial valuation date	April 1, 2017	April 1, 2017
Interest rate	7.0%	7.0%
Salary increases	3.8%	4.5%
Decrement tables	April, 1 2010 - March 31, 2015	April, 1 2010 - March 31, 2015
	System's experience	System's experience
Inflation rate	2.5%	2.5%

Annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	NYSLRS	
	Target Allocation	Long-term Expected Rate of Return
Measurement date	March 31, 2018	
Asset type		
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Private Equity	10.0%	7.50%
Real estate	10.0%	5.55%
Absolute return strategies	2.0%	3.75%
Opportunistic portfolio	3.0%	5.68%
Real Assets	3.0%	5.29%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation indexed bonds	4.0%	1.25%
	100.0%	

d) Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

e) Sensitivity of the Proportionate Share of the Net Pension Asset/Liability to the Discount Rate Assumption

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

Governmental activities:			
	1% Decrease	Current Assumption	1% Increase
ERS	(6.00)%	(7.00)%	(8.00)%
Town's proportionate share of the net pension asset (liability)	\$ (9,763,667)	\$ (1,290,420)	\$ 5,877,608
	1% Decrease	Current Assumption	1% Increase
PFRS	(6.00)%	(7.00)%	(8.00)%
Town's proportionate share of the net pension asset (liability)	\$ (14,863,191)	\$ (3,034,376)	\$ 6,887,226

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Business-type activities:

ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
Town's proportionate share of the net pension asset (liability)	\$ (1,738,018)	\$ (229,707)	\$ 1,046,266

f) **Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of the measurement date is as follows:

	ERS	PFRS
	<i>Dollars in Thousands</i>	
Measurement date	March 31, 2018	March 31, 2018
Employers' total pension liability	\$ (183,400,590)	\$ (32,914,423)
Plan fiduciary net position	180,173,145	31,903,666
Employers' net pension liability	\$ (3,227,445)	\$ (1,010,757)
Ratio of plan fiduciary net position to the employers' total pension liability	98.24%	96.93%

g) **Prepayments to the Pension Plan**

Employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Annual payments are due by February 1st. An employer can elect to prepay the amount due by December 15th to receive a 1% discount. The Town paid the annual invoice in December. This resulted in a prepayment of \$1,256,167 for the period January 1, 2019 through March 31, 2019. Employee contributions are remitted monthly.

10. PENSION PLANS – OTHER

The Town has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The Town makes no contributions into this Plan. The amount deferred by eligible employees for the year ended December 31, 2018 totaled \$1,900,636.

11. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. Plan Description

Plan Description - The Town's defined benefit OPEB plan, provides OPEB for most retired employees and their survivors. The plan is a single-employer defined benefit OPEB plan administered by the Town. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided - The Town provides healthcare and other fringe benefits for retirees and their survivors. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the Town offices and are available upon request.

Employees Covered by Benefit Terms - At December 31, 2018, the following employees were covered by the benefit terms:

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Primary Government	Governmental Activities	Business-Type Activities
Inactive employees or beneficiaries currently receiving benefit payments	191	173	18
Inactive employees entitled to but not yet receiving benefit payments	-	-	-
Active employees	288	259	29
	<u>479</u>	<u>432</u>	<u>47</u>

B. Total OPEB Liability

The Town's total OPEB liability of \$128,724,451, which is comprised of governmental activities (\$116,366,904) and business-type activities (\$12,357,547), was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%	
Salary increases	3.00%	
Discount rate	3.64%	
Healthcare cost trend rates	8.00%	decreasing to an ultimate rate of 5.00%
Retirees' share of benefit-related costs	0-100%	of projected health insurance premiums for retirees depending on category - individual, dependent or surviving spouse

The discount rate was based on the S&P Municipal Bond 20-year High Grade Index.

Mortality rates were based on the RP-2014 mortality table projected to the valuation date with scale MP-2016.

C. Changes in the Total OPEB Liability

	Primary Government	Governmental Activities	Business-Type Activities
Restated balance at December 31, 2017	<u>\$121,388,567</u>	<u>\$109,735,264</u>	<u>\$ 11,653,303</u>
Changes for the year			
Service cost	3,582,568	3,278,049	304,519
Interest	4,376,733	3,956,567	420,166
Changes of benefit terms	-	-	-
Differences between expected and actual experience	1,673,866	1,473,768	200,098
Changes in assumptions or other inputs	-	-	-
Benefit payments	<u>(2,297,283)</u>	<u>(2,076,744)</u>	<u>(220,539)</u>
	<u>7,335,884</u>	<u>6,631,640</u>	<u>704,244</u>
Balance at December 31, 2018	<u>\$128,724,451</u>	<u>\$116,366,904</u>	<u>\$ 12,357,547</u>

Changes of benefit terms are recognized immediately.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Changes of differences between expected and actual experience reflect changes in the discount rate from 4.00% in 2017 to 3.64% in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.64%) or 1 percentage point higher (4.64%) than the current discount rate:

		Discount	
	1% Decrease	Rate	1% Increase
OPEB	(2.64)%	(3.64)%	(4.64)%
Total OPEB liability	<u>\$(152,530,755)</u>	<u>\$(128,724,451)</u>	<u>\$(104,918,147)</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current healthcare cost trend rate:

		Healthcare Cost	
	1% Decrease	Cost Trend Rates	1% Increase
OPEB	(7.0% decreasing to 4.0%)	(8.0% decreasing to 5.0%)	(9.0% decreasing to 6.0%)
Total OPEB liability	<u>\$(103,931,377)</u>	<u>\$ (128,724,451)</u>	<u>\$(159,014,286)</u>

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Town recognized a total OPEB expense of \$8,294,074. At December 31, 2018, the Town reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 1,339,093
Changes of assumptions	<u>-</u>
Total	<u>\$ 1,339,093</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Amounts reported as deferred outflows of resources related to OPEB will be recognized as additions in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 334,773
2020	334,773
2021	334,773
2022	<u>334,774</u>
	<u>\$ 1,339,093</u>

12. RESTATEMENT OF NET POSITION

For the fiscal year ended December 31, 2018 the Town implemented GASB Statement No. 75. The implementation of Statement No. 75 resulted in the reporting of a change in the liability for other postemployment benefits obligation. The Town's net position has been restated as follows:

	<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position beginning of year, as previously stated	<u>\$142,708,578</u>	<u>\$ 81,118,778</u>	<u>\$ 61,589,800</u>
GASB Statement No. 75 implementation			
Beginning system liability -			
total other postemployment benefits obligation	(121,388,567)	(109,735,264)	(11,653,303)
Less: Net other postemployment benefits obligation			
under GASB Statement No. 45	<u>61,996,718</u>	<u>56,300,611</u>	<u>5,696,107</u>
	<u>(59,391,849)</u>	<u>(53,434,653)</u>	<u>(5,957,196)</u>
Net position beginning of year, as restated	<u>\$ 83,316,729</u>	<u>\$ 27,684,125</u>	<u>\$ 55,632,604</u>

13. COMPENSATED ABSENCES

Town employees are granted vacation, personal leave and sick leave in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, personal leave and sick leave at various rates subject to certain maximum limitations.

Vested vacation, personal leave and sick leave accumulated by governmental fund type employees have been recorded in the Statement of Net Position. Vested vacation, personal leave and sick leave accumulated by business type employees have been recorded in proprietary funds as a liability and expense. Payment of vacation, personal leave, and sick leave recorded as non-current liabilities are dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for payments of vacations, personal leave and sick leave when such payments become due. As of December 31, 2018, the value of the accumulated vacation, personal leave and sick leave for governmental and business-type activities was \$9,135,740 and \$879,973, respectively, for an aggregate total of \$10,015,713.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

14. TAX ABATEMENT PROGRAM

The Town is subject to real estate tax abatements granted by the Suffolk County Industrial Development Agency and the Riverhead Industrial Development Agency, a discretely presented component unit of the Town. The purpose of the real estate tax abatements is to offer tax saving incentives to stimulate economic development and revitalization within the Town. This growth promotes job creation, additional economic activity for local businesses, Town beautification, rising property values, and a higher quality of life for all residents and businesses in the Town.

A. Riverhead Industrial Development Agency Tax Abatement Programs

Local businesses apply to the Riverhead Industrial Development Agency for financial assistance. The assistance generally includes exemptions from real property tax, mortgage recording tax, and sales and use tax and issuance of low interest revenue bonds (not an obligation of the Riverhead Industrial Development Agency or the Town). As part of the transaction, the Riverhead Industrial Development Agency takes title to the project's real property. In doing so, under the provisions of Article 18-A of General Municipal Law ("GML"), the Riverhead Industrial Development Agency is not required to pay real estate taxes or assessments on any of the property acquired by or under the jurisdiction, control or supervision of the Riverhead Industrial Development Agency's activities. A portion of the real estate tax exemption is usually recaptured in the form of payments in lieu of taxes, which are less significant than the real property taxes that are abated.

The Riverhead Industrial Development Agency has a Board adopted Uniform Tax Exemption Policy, which outlines how the local businesses' real estate taxes are reduced and how the amount of the real estate abatement is determined. During the term of the agreements, the local business must operate and maintain the property consistent with the terms of the agreement. If the local business does not comply, financial penalties may be imposed, such as the recapture of the benefits received, depending upon the severity of the noncompliance.

For the year ended December 31, 2018, the Town's property tax revenues were reduced by \$1,067,095 and payments in lieu of taxes, including recapture payments, were collected in the amount of \$612,859 under the agreements entered into by the Riverhead Industrial Development Agency. The amount of the abated taxes reported is based on the assessed value of property per the official assessment tax rolls and tax rates in effect on December 1, 2018, the tax lien date.

B. Suffolk County Industrial Development Agency Tax Abatement Programs

Similar to the Riverhead Industrial Development Agency, the Suffolk County Industrial Development Agency offers several abatement programs on certain qualified projects to promote, encourage, attract and develop job and recreational opportunities and economically-sound commerce and industry in Suffolk County. The Suffolk County Industrial Development Agency operates under the same provisions of GML and has adopted its own Uniform Tax Exempt Policy.

For the year ended December 31, 2018, there were no agreements entered into by the Suffolk County Industrial Development Agency that resulted in significant Town abated property tax revenues.

15. COMMITMENTS AND CONTINGENCIES

A. Risk Management

In common with other municipalities, the Town receives numerous notices of claims. The Town carries liability coverage as follows:

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Liability

From 1987 until September 22, 1993, the Town of Riverhead was a self-insurer against personal injury liability. On September 22, 1993, the Town of Riverhead obtained catastrophic loss coverage for comprehensive general liability, automobile liability, public official's errors and omissions and employee benefits liability. This catastrophic loss coverage has a self-insured retention of \$250,000 per occurrence. Claims paid under these coverages are subject to a maximum of \$10,000,000 per occurrence for general liability and automobile liability. Coverage for public officials is \$10,000,000 per policy year. Terrorism is excluded from liability coverage, as well as any loss involving fungal pathogens and mold.

Property

The Town is self-insured for property on the first \$50,000 per loss and approximately a \$70,700,000 (based on the most recent value of the Town's various properties) per occurrence with no annual aggregate. Terrorism is excluded from property coverage. The Town has flood and earthquake coverage of \$2,500,000 per occurrence and annual aggregate. The Town also has boiler and machinery coverage with a \$1,000 deductible and coverage with a \$50,000,000 limit.

Miscellaneous

The Town has ancillary insurance policies for the East Creek Marina, Calverton Airport, Recreation Accidents and Crime and Fidelity and Cyber Liability. The East Creek Marina policy has a \$2,500 deductible with coverage up to \$5,000,000 per occurrence and \$5,000,000 annual aggregate. The Calverton Airport policy has a \$1,000 deductible with coverage up to \$5,000,000 per occurrence. The Recreation Accident policy has a \$250 deductible with coverage of \$250,000 maximum with \$10,000 accidental death benefit. The Crime and Fidelity policy has the following deductibles and limits: \$2,500 deductible for Inside the Premises - Theft of Money and Securities and Outside the Premises with a limit of \$250,000; and \$5,000 deductible for Employee Theft and Faithful Performance with a \$500,000 limit. The Cyber liability policy has a \$15,000 deductible with a \$1,000,000 limit.

Workers' Compensation/Unemployment Benefits

The Town is self-insured for workers' compensation insurance. Estimated benefits to be paid are appropriated in the various operating funds of the Town. The Town has provided an umbrella-type policy protecting against a catastrophic loss in the workers' compensation self-insurance protection program with \$400,000 retention per occurrence. This policy provides \$400,000 of coverage in excess the Town's retention amount. The Town also secures a second excess workers' compensation layer that provides statutory limits in excess of a self-insured retention of \$1,250,000. The Town is also self-insured for unemployment benefits paid.

There have been no significant reductions in insurance coverage as compared to the prior year, and there were no settlements in excess of insurance coverage over the last three years.

Self-Insurance Fund

The Town uses a Self-Insurance Fund to account for its potential liability. As of December 31, 2018, the Self-Insurance Fund had assets of \$2,453,054 and liabilities of \$1,676,020. Included in this amount is \$469,861 for general liability claims, and \$1,184,113 for worker's compensation claims.

The Town estimates its workers' compensation and general liability reserves by consulting with legal counsel, contracted third party administrators and assessing past experience with similar claims. Although the dollar amounts of the claims on file against the Town materially exceed the reserves recorded; the ultimate outcome

TOWN OF RIVERHEAD
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of the claims cannot be presently determined. The Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position.

The Town does have the ability to bond any tort claims which may be resolved against the Town and which are not covered by the catastrophic loss coverage.

The schedule below presents the changes in claim reserves for general liability and workers' compensation.

	General Liability		Workers' Compensation	
	2018	2017	2018	2017
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 643,202	\$ 801,112	\$ 1,089,789	\$ 1,157,544
Insured claims and claim adjustment Expenditures:				
Provision for the insured events of the current year and increases in provision for insured events of prior years	36,850	200,738	1,683,546	937,052
Total incurred claims and claim adjustment expenditures	680,052	1,001,850	2,773,335	2,094,596
Payments				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years.	210,191	358,648	1,589,222	1,004,807
Total unpaid claims and claim adjustment expenditures at the end of the year.	\$ 469,861	\$ 643,202	\$ 1,184,113	\$ 1,089,789

B. Litigation

The Town is subject to a number of lawsuits in the ordinary conduct of its municipal affairs. As of December 31, 2018, the Town recorded no liability in these matters in excess of the SIR amounts disclosed in Note A.

The Town is currently defending several personnel related litigation matters. However, the current status of these matters does not appear to have a material effect on the financial statements.

The attorneys representing the Town do not wish to express any opinion on the probable outcome of the above matters nor estimate possible settlement or ultimate liability costs.

C. Landfill Closure and Postclosure Care Costs

State and Federal Laws and Regulations require the Town to place a final cover on its Youngs Avenue Landfill Site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill site stopped receiving waste on December 31, 1996. The Town reports a portion of the closure and postclosure care costs as a liability in each period based on landfill capacity used as of each balance sheet date. As the liability is based on 100% capacity there are no estimated costs for closure and postclosure remaining to be recognized. Postclosure care costs and monitoring activities

TOWN OF RIVERHEAD
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for the site are estimated to be \$43,000 during 2019 and range between approximately \$54,000 to \$90,000 for the remaining twenty-two years, with an inflation factor built in.

Accordingly, as of December 31, 2018, the Town has recorded an estimated liability of \$1,556,141, in the government-wide financial statements, which represents the provision to be made in future budgets for unfunded postclosure care costs and monitoring activities. Actual costs for postclosure monitoring and maintenance are recorded in the General Fund and may be higher or lower due to inflation, changes in technology, or changes in regulations or conditions on the ground.

D. Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

E. 2% Transfer Tax

In November 1998, the voters of the Town of Riverhead approved a referendum for a 2% transfer tax which became effective on April 1, 1999. The transfer tax expiration date has been extended by local law until December 31, 2030. The transfer tax receipts are recorded in the Community Preservation Fund and are primarily used for purchase and/or preservation of open space, including agricultural land, park improvements and acquisition of land development rights.

F. Rental Income

The Town has certain leases for cell towers and receives rental income annually. These leases are subject to renewal or renegotiation every five years. For the year ended December 31, 2018, the rental income was \$530,280. The minimum rental lease income for the next four years is as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 540,044
2020	197,098
2021	79,421
2022	<u>7,394</u>
	<u>\$ 823,957</u>

16. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following Statements that may have an impact on the Town's financial reporting:

Statement No. 84, *Fiduciary Activities*, the objective of which is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
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Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the objective of which is to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statements No. 14 and No. 61*, the objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
(Continued)

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

17. SUBSEQUENT EVENT

The Town has evaluated subsequent events through the date of the Auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment or disclosure in the financial statements, except for the following:

In October 2019, the Town issued two (2) new bonds known as the "2018 Series A" and "2018 Series B" bonds. The "Series A" bond in the amount of \$1,000,000 is for public improvements relating to the replacement of street lights throughout the Town.

The "Series B" bond is a refunding bond issue in the amount of \$12,555,000. The purpose of this refunding is to advance refund outstanding principal for bonds issues related to 2011. The anticipated present value savings from this refunding issuance is expected to be approximately \$1.1 million.

TOWN OF RIVERHEAD
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Real Property Taxes	\$ 37,322,300	\$ 37,322,300	\$ 37,323,155	\$ 855
Real Property Tax Items	588,400	588,400	711,606	123,206
Non-Property Tax Items	2,436,400	2,436,400	2,630,838	194,438
Departmental Income	2,829,900	2,757,150	3,182,317	425,167
Intergovernmental Charges	100,000	100,000	-	(100,000)
Use of Money and Property	112,500	224,000	243,515	19,515
Licenses and Permits	85,300	83,800	75,191	(8,609)
Fines and Forfeitures	450,000	450,000	374,205	(75,795)
Sale of Property and Compensation for Loss	14,500	-	24,309	24,309
Miscellaneous	475,000	14,250	255,778	241,528
Interfund Revenues	1,563,400	1,563,400	1,169,566	(393,834)
State and Local Aid	1,513,000	1,959,000	1,748,105	(210,895)
Federal Aid	14,100	14,100	282,732	268,632
Total Revenues	47,504,800	47,512,800	48,021,317	508,517
OTHER FINANCING SOURCES				
Operating Transfers In	1,558,000	1,558,000	1,377,310	(180,690)
Total Revenues and Other Sources	\$ 49,062,800	\$ 49,070,800	49,398,627	\$ 327,827
EXPENDITURES				
General Support	\$ 10,473,700	\$ 10,473,700	9,427,035	\$ 1,046,665
Public Safety	17,120,100	17,120,100	17,481,329	(361,229)
Health	8,800	8,800	8,800	-
Transportation	275,100	275,100	276,290	(1,190)
Economic Assistance & Opportunity	900,500	908,500	875,429	33,071
Culture and Recreation	1,434,550	1,434,550	1,386,110	48,440
Home and Community Services	1,124,350	1,124,350	1,076,743	47,607
Employee Benefits	13,185,700	13,185,700	12,548,594	637,106
Total Expenditures	44,522,800	44,530,800	43,080,330	1,450,470
OTHER FINANCING USES				
Operating transfer out	4,540,000	4,540,000	4,859,925	(319,925)
Total Expenditures and Other Uses	\$ 49,062,800	\$ 49,070,800	47,940,255	\$ 1,130,545
Net Change in Fund Balance			1,458,372	
Fund Balance - Beginning of Year			2,905,155	
Fund Balance - End of Year			\$ 4,363,527	

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

TOWN OF RIVERHEAD
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Highway Fund
For The Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Real Property Taxes	\$ 7,125,900	\$ 7,125,900	\$ 7,125,900	\$ -
Real Property Tax Items			747	747
Use of Money and Property	7,000	7,000	40,802	33,802
Licenses and Permits	25,000	25,000	25,650	650
Sale of Property and Compensation for Loss	1,500	1,500	5,883	4,383
Miscellaneous			31,030	31,030
Interfund Revenues	5,000	5,000		(5,000)
Total Revenues	7,164,400	7,164,400	7,230,012	\$ 65,612
APPROPRIATED FUND BALANCE				
Appropriated Fund Balance	200,000	200,000		
Total Revenues and Appropriated Fund Balance	\$ 7,364,400	\$ 7,364,400		
EXPENDITURES				
General Support	\$ 115,500	\$ 115,500	66,973	\$ 48,527
Transportation	4,708,400	4,708,400	4,547,821	160,579
Employee Benefits	1,778,700	1,778,700	1,421,972	356,728
Total Expenditures	6,602,600	6,602,600	6,036,766	565,834
OTHER FINANCING USES				
Operating Transfer Out	761,800	761,800	761,733	67
Total Expenditures and Other Uses	\$ 7,364,400	\$ 7,364,400	6,798,499	\$ 565,901
Net Change in Fund Balance			431,513	
Fund Balance - Beginning of Year			2,681,205	
Fund Balance - End of Year			\$ 3,112,718	

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

TOWN OF RIVERHEAD
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Debt Service Fund
For The Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
OTHER FINANCING SOURCES				
Operating Transfers In	\$ 10,938,000	\$ 10,938,000	\$ 10,937,516	\$ (484)
EXPENDITURES				
Debt Service				
Principal	8,423,300	8,423,300	8,423,227	73
Interest	2,514,700	2,514,700	2,514,289	411
Total Expenditures	\$ 10,938,000	\$ 10,938,000	10,937,516	\$ 484
Net Change in Fund Balance			-	
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			\$ -	

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

TOWN OF RIVERHEAD
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Community Preservation Fund
For The Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Non-Property Tax Items	\$ 3,450,000	\$ 3,450,000	\$ 4,962,951	\$ 1,512,951
Use of Money and Property	30,000	30,000	73,805	43,805
Total Revenues	3,480,000	3,480,000	5,036,756	\$ 1,556,756
APPROPRIATED FUND BALANCE				
Appropriated Restricted Fund Balance	1,971,900	1,971,900		
Total Revenues and Appropriated Fund Balance	\$ 5,451,900	\$ 5,451,900		
EXPENDITURES				
General Support	\$ 6,000	\$ 6,000	2,000	\$ 4,000
OTHER FINANCING USES				
Operating Transfer Out	5,445,900	5,445,900	5,445,821	79
Total Expenditures and Other Uses	\$ 5,451,900	\$ 5,451,900	5,447,821	\$ 79
Net Change in Fund Balance			(411,065)	
Fund Balance - Beginning of Year			9,472,364	
Fund Balance - End of Year			\$ 9,061,299	

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

TOWN OF RIVERHEAD
Schedule of the Town's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years

Employees' Retirement System

	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0470999%	0.0492274%	0.0515963%	0.0528417%
Town's proportionate share of the net pension liability	\$ 1,520,126	\$ 4,625,508	\$ 8,281,359	\$ 1,785,122
Town's covered payroll	\$ 12,538,821	\$ 14,065,643	\$ 12,798,470	\$ 13,227,701
Town's proportionate share of the net pension liability as a percentage of its covered payroll	12.12 %	32.89 %	64.71 %	13.50 %
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%	97.90%

Police and Fire Retirement System

	2018	2017	2016	2015
Town's proportion of the net pension liability	0.3002082%	0.3209108%	0.3293926%	0.3323762%
Town's proportionate share of the net pension liability	\$ 3,034,375	\$ 6,651,366	\$ 9,752,613	\$ 914,897
Town's covered payroll	\$ 15,065,844	\$ 13,811,746	\$ 13,610,084	\$ 14,618,715
Town's proportionate share of the net pension liability as a percentage of its covered payroll	20.14 %	48.16 %	71.66 %	6.26 %
Plan fiduciary net position as a percentage of the total pension liability	96.93%	93.46%	90.24%	99.00%

An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.

Note to Required Supplementary Information

The amounts presented for each fiscal year were determined as of March 31st.

The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

TOWN OF RIVERHEAD
Schedule of Town Pension Contributions
 Last Ten Fiscal Years

Employees' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 2,075,737	\$ 2,008,863	\$ 2,204,868	\$ 2,490,586	\$ 2,873,570	\$ 2,819,882	\$ 2,374,793	\$ 2,058,981	\$ 1,450,880	\$ 983,322
Contributions in relation to the contractually required contribution	2,075,737	2,008,863	2,204,868	2,490,586	2,873,570	2,819,882	2,374,793	2,058,981	1,450,880	983,322
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 12,654,327	\$ 14,065,643	\$ 15,472,582	\$ 11,907,098	\$ 13,667,903	\$ 13,387,242	\$ 13,360,979	\$ 13,982,775	\$ 13,637,037	\$ 14,065,204
Contributions as a percentage of covered payroll	16%	14%	14%	21%	21%	21%	18%	15%	11%	7%

Police and Fire Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 2,940,954	\$ 2,963,043	\$ 2,852,581	\$ 2,690,618	\$ 3,134,827	\$ 3,127,827	\$ 2,759,912	\$ 2,372,503	\$ 1,863,463	\$ 1,459,218
Contributions in relation to the contractually required contribution	2,940,954	2,963,043	2,852,581	2,690,618	3,134,827	3,127,827	2,759,912	2,372,503	1,863,463	1,459,218
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 15,557,503	\$ 13,811,746	\$ 12,571,918	\$ 13,956,137	\$ 14,839,575	\$ 14,942,923	\$ 14,534,983	\$ 13,100,953	\$ 13,771,966	\$ 11,074,052
Contributions as a percentage of covered payroll	19%	21%	23%	19%	21%	21%	19%	18%	14%	13%

Notes:

The amounts presented for each year are determined as of the year ending December 31 and the contractually required contributions are based on the amounts invoiced by the New York State and Local Retirement System.

There was a change in assumption for the pensioner mortality improvement in the April 1, 2014 actuarial valuation from the Society of Actuaries' Scale AA to Scale MP-2014.

TOWN OF RIVERHEAD
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
Last Fiscal Year

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 3,582,568
Interest	4,376,733
Changes in benefit terms	-
Differences between expected and actual experience	1,673,866
Changes of assumptions or other inputs	-
Benefit payments	<u>(2,297,283)</u>
Net change in total OPEB liability	7,335,884
Total OPEB liability, beginning	<u>121,388,567</u>
Total OPEB liability, ending	<u><u>\$ 128,724,451</u></u>
 Covered employee payroll	 \$ 28,211,830
Total OPEB liability as a percentage of covered employee payroll	456.28%

An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.

Trust Assets:

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Note to Required Supplementary Information

The discount rate decreased from 4.00% to 3.64% as reflected in 2017 and 2018 above.

TOWN OF RIVERHEAD
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2018

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility	Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development
ASSETS									
Cash									
Unrestricted	\$ 208,411	\$ 57	\$ 44,229	\$ 93,703	\$ 992,747	\$ 1,169,500	\$ 1,203,576	\$ 87,255	\$ 129,520
Receivables									
Accounts receivable			190						11,061
Due from other governments	115,850				2,473				115,850
Due from other funds					4,030				2,473
Prepaid items								3,000	7,030
Total Assets	\$ 324,261	\$ 57	\$ 44,419	\$ 93,703	\$ 999,250	\$ 1,169,500	\$ 1,203,576	\$ 90,255	\$ 140,581
									\$ 4,065,602
LIABILITIES									
Payables									
Accounts payable	\$ 47,547	\$	\$	\$ 833	\$ 48,062	\$ 7,306	\$ 1,941	\$ 588	\$ 41,167
Accrued liabilities				1,822	12,332				14,154
Due to other funds	110,347	748,997		10,324	143	2,937	16		872,764
Unearned credits									
Collections in advance	60,329			16,744				36,668	55,849
Total Liabilities	218,223	748,997	-	29,723	60,537	10,243	1,957	37,256	97,016
									\$ 1,203,952
DEFERRED INFLOWS OF RESOURCES									
Unearned revenue	17,735		30,238		312,583	371,138	756,859	6,817	
									\$ 1,495,370
FUND BALANCE									
Nonspendable:									
Prepaids and inventory					4,030			3,000	7,030
Committed: Fund balance						40,336			40,336
Assigned: Unappropriated	88,303	(748,940)	14,181	63,980	622,100	747,783	444,760	43,182	2,067,854
Unassigned: Fund balance (deficit)									(748,940)
Total Fund Balance (Deficit)	88,303	(748,940)	14,181	63,980	626,130	788,119	444,760	46,182	1,366,280
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 324,261	\$ 57	\$ 44,419	\$ 93,703	\$ 999,250	\$ 1,169,500	\$ 1,203,576	\$ 90,255	\$ 140,581
									\$ 4,065,602

TOWN OF RIVERHEAD
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For The Year Ended December 31, 2018

	Special Revenue Funds									Total Nonmajor Governmental Funds
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility	Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development	
REVENUES										
Real property taxes	\$	\$	\$ 118,000	\$ 279,946	\$ 1,219,000	\$ 1,447,300	\$ 3,013,644	\$ 169,600	\$	\$ 5,967,544
Departmental income						139,984				419,930
Use of money and property	647	14	526	71	7,338	8,630	11,518	519	58,388	87,651
Licenses and permits										-
and compensation for loss							5,599			5,599
Federal aid	208,169							7,324		215,493
Total Revenues	208,816	14	118,526	280,017	1,226,338	1,595,914	3,030,761	177,443	58,388	6,696,217
EXPENDITURES										
General support			909	68,648	144,258	11,297	24,017	1,916	6,075	257,120
Health					764,281	1,537,408				2,301,689
Transportation								105,397	137,485	105,397
Economic assistance & opportunity			114,882	44,610			2,853,467			252,367
Culture and recreation							45,478			44,610
Home and community services	187,198			13,721	107,027					3,040,665
Employee benefits										166,226
Total Expenditures	187,198	-	115,791	126,979	1,015,566	1,548,705	2,922,962	107,313	143,560	6,168,074
Excess / (Deficiency) of Revenues over Expenditures	21,618	14	2,735	153,038	210,772	47,209	107,799	70,130	(85,172)	528,143
OTHER FINANCING SOURCES AND (USES)										
Operating transfers in		100,000							70,000	170,000
Operating transfers out	(23,047)	(44,900)		(129,625)	(11,322)	-	(9,320)	(39,770)		(257,984)
Total Other Sources (Uses)	(23,047)	55,100	-	(129,625)	(11,322)	-	(9,320)	(39,770)	70,000	(87,984)
Net Change in Fund Balance	(1,429)	55,114	2,735	23,413	199,450	47,209	98,479	30,360	(15,172)	440,159
Fund Balance (Deficit) - Beginning of year	89,732	(804,054)	11,446	40,567	426,680	740,910	346,281	15,822	58,737	926,121
Fund Balance (Deficit) - End of year	\$ 88,303	\$ (748,940)	\$ 14,181	\$ 63,980	\$ 626,130	\$ 788,119	\$ 444,760	\$ 46,182	\$ 43,565	\$ 1,366,280

